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Agricultural Letter

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FARM PRICES have probably reached their low point in the current decline, according to a recent USDA review of the situation made for a House-Senate committee. For 1953 as a whole, agricultural prices are expected to average somewhat lower than in 1952.

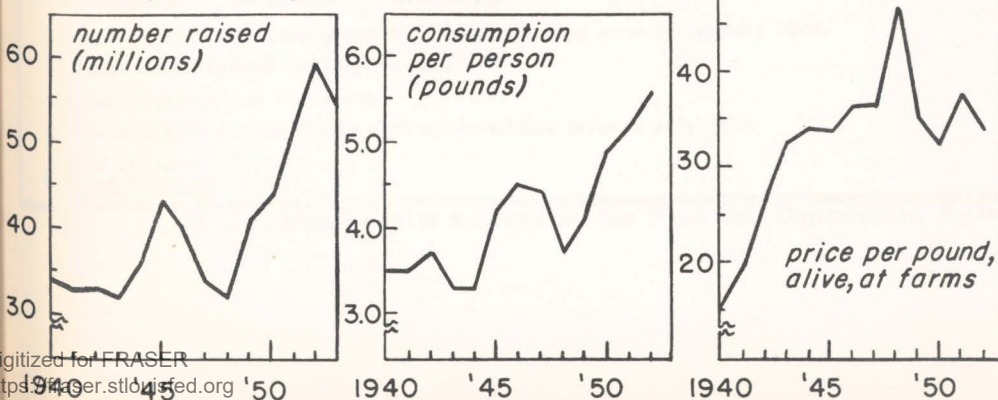
Consumers may not benefit from the lower farm prices, however, as marketing costs are expected to continue their recent uptrend and absorb a larger proportion of consumers' expenditures for food. The farmer's share of the consumer's food dollar last December dropped to 45¢, the smallest since 1941.

Major factors in the recent decline of farm prices are the large supplies available and the sharp reduction in volume of exports. Although recognizing that farm products continue vulnerable to changes in export demand, the USDA experts express the hopeful view that this will show some improvement in the next few months.

TURKEY GROWERS have reported intentions to reduce production about 8 per cent this year. This is the first time since 1948 that a decrease has been indicated. The cutback will be largely in the small type turkeys. The number of these raised is indicated to be 23 per cent less than last year, whereas the number of the heavy birds will be only 3 per cent lower.

The reduction in District states is less than indicated for the country as a whole. Iowa and Michigan producers plan to maintain output at the year-ago level while Wisconsin growers plan an 8 per cent increase. Indiana and Illinois producers plan reductions of about 5 per cent. The relatively low prices of turkeys in relation to feed, and the record cold storage holdings are the major reasons given by growers for the intended cutbacks.

TURKEYS: production, consumption, price



FARM POLICY CONFLICTS may reasonably be expected to develop as divergent interests delve into this subject. Some Congressional interests, being skeptical of Secretary Benson's views re high-level supports, are initiating moves to assure that there will be no weakening of the support program. Bills have been introduced to extend mandatory 90 per cent of parity support for "basic" crops through 1957 and to include an additional list of crops -- oats, barley, rye, and soybeans. Another bill would require support for "basic" commodities at 95 per cent of parity in 1953 and 1954.

The keen interest in price support measures reflects, in part, the persistent downward adjustment in farm product prices over the past five months.

Another area of controversy in farm programs is the use of public funds to pay farmers for carrying on agricultural conservation activities which, in the opinion of many persons, should be a normal part of their farming activities. Secretary Benson has voiced important reservations relative to this program and the American Farm Bureau Federation has for several years urged that it be curtailed sharply. The budget prepared under former President Truman recommends expenditures of about \$250 million for this purpose in both 1953 and 1954.

STOCKS OF GRAINS were at a high level at the beginning of this year. Wheat stocks totaled 1,103 million bushels, 29 per cent larger than a year earlier. Rye stocks were 9.2 million bushels, 6.5 million less than a year earlier and the smallest since 1947. With 2,576 million bushels of corn on hand, the total holdings of feed grains were relatively large, exceeding the year-ago volume by 9 per cent. This was

the third largest holding for the date in the past 10 years and should result in some increase in carry-over into the new crop year. Farm stocks of corn totaled 2,173 million bushels, compared with 1,892 million a year ago. Over-all stocks of oats, barley, and sorghum grain were all below the year-ago amounts.

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FARM BUSINESS CONDITIONS

DECEMBER 1952, WITH COMPARISONS

I T E M S	1952		1951	1940
	Dec.	Nov.	Dec.	Dec.
PRICES:				
Received by farmers (1947-49=100)	100	103	113	38
Paid by farmers (1947-49=100)	113	113	114	50
Parity price ratio (1910-14=100)	96	99	107	80
Wholesale, all commodities (1947-49=100)	110	111	114	51
Paid by consumers (1947-49=100)	114 ^a	114 ^b	113 ^a	60 ^a
Wheat, No. 2 hard winter, Chicago (dol. per bu.)	2.37	2.40	2.57*	.90
Corn, No. 3 yellow, Chicago (dol. per bu.)	1.63	1.58	1.93	.62
Oats, No. 3 white, Chicago (dol. per bu.) .....	.92	.90	1.05	.38
Soybeans, No. 2 yellow, Chicago (dol. per bu.)	2.90	2.92	2.99	.95
Hogs, barrows and gilts, Chicago (dol. per cwt.)	16.91	17.02	18.17	6.27
Beef steers, choice grade, Chicago (dol. per cwt.)	30.86	32.20	34.78	11.86
Milk, wholesale, U. S. (dol. per cwt.)	5.19	5.33	5.19	2.07
Butterfat, local markets, U. S. (dol. per lb.) .....	.70	.72	.76	.35
Chickens, local markets, U. S. (dol. per lb.) .....	.26	.26	.25	.13
Eggs, local markets, U. S. (dol. per doz.) .....	.47	.52	.51	.27
Milk cows, U. S. (dol. per head)	213	221	252	63
Farm labor, U. S. (dol. per week without board)	35.75 ^c	35.75 ^b	35.00 ^c	—
Factory labor, U. S. (dol. earned per week) ..	70.66 ^a	70.59 ^b	65.85 ^a	26.93 ^a
PRODUCTION:				
Industrial, physical volume (1947-49=100)	126	126	118	76
Farm marketings, physical volume (1947-49=100)	117	131	108	83
INCOME PAYMENTS:				
Total personal income, U. S. ¹ (Annual rate, bil. of dol.) ..	276 ^a	276 ^b	261 ^a	—
Cash farm income, U. S. ² (Annual rate, bil. of dol.) ..	—	33	34	9
EMPLOYMENT:				
Farm (millions)	6.5	8.3	6.5	7.5
Nonagricultural (millions)	55.8	55.5	54.6	37.3
FINANCIAL:				
Weekly reporting member banks: ³				
Demand deposits adjusted ⁴ (bil. of dol.)	54.6	53.9	54.2	—
Total loans ⁴ (bil. of dol.)	38.7	38.1	35.5	—
Commercial, industrial, and agricultural loans ⁴ (bil. of dol.)	23.2	22.9	21.6	—
U. S. Government total gross direct debt ⁵ (bil. of dol.)	267	267	259	45

^aNovember ^bOctober ^cJanuary

¹ Revised series, not comparable to data published prior to January 1949.

² Based on estimated monthly income.

³ Last Wednesday of the month.

⁴ Revised series, comparable data not available prior to July 1946.

⁵ End of month.

* estimated

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago