



# Business Trends

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## PROSPECTIVE CHANGES IN FOOD PRICES

Although retail food costs in general were about 10 percent lower in July than they were a year earlier, the price of milk, butter, eggs and meat has been rising again in recent weeks. In some instances this latest uptrend is only seasonal and temporary while in others the failure of prices to continue downward is due to more basic considerations.

Egg supplies, for example, have been below average the past three months because fewer eggs were placed in cold storage last spring. In fact, the quantity of shell eggs in cold storage September 1 was the lowest on record. The combined effect of fewer layers on farms, a strong consumer demand, large hatching-egg requirements, and the Government's support program maintained egg prices at a level which encouraged current marketing and held down movement into storage. As a result egg supplies through July, August and September, were smaller than last year. Even when all holdings of eggs, including dried and frozen eggs acquired by the Government in the support program, are considered, the total supply of eggs in storage on that date was about  $\frac{1}{4}$  less than the average of the recent five years.

Normally, the price of eggs reaches a peak in late November or early December. Some weakness in egg prices the past two weeks together with a reported rapid rise in farm production suggests that the seasonal high price may be reached earlier this year—possibly within the next 30 days. Egg prices thereafter may be expected to decline to the seasonal low which is usually reached in late April or May when farm production of eggs is at a peak. With moderate expansion in laying flocks occurring and record supplies of feed grains and by-product feeds, egg production during the next twelve months may reach such proportions as to result in a downward adjustment of egg prices comparable to that which had occurred in meat and dairy products before the latest seasonal rise got under way.

A near-record turkey crop is in prospect. Reports issued recently indicate that production will approximate 41 million—moderately below the all-time high of 44 million in 1945 but at least 29 percent larger than in 1948. Prices of this fowl have slumped to support levels in some areas in response to anticipated supply.

Poultry meat production due largely to a record output of broilers, has been well above that of the previous year. As a consequence, the av-

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erage farm price of live poultry was more than 25 percent lower by mid-summer than it was last year. However, only a small proportion of this reduction had been reflected at the retail level.

Food grains, the raw material source for most bakery and cereal products, are in adequate supply even though this year's output of wheat, the major food grain, was below a year ago. A larger-than-average carry-over of wheat and a record outturn of rice this year together with an anticipated decline in foreign requirements indicates that supplies of these important food grains will be well in excess of demand. Although the prospect of bountiful supplies of wheat and rice had depressed farm values below a year ago 8 percent and 31 percent, respectively, by mid-July the retail price of bread and polished rice still remained at about the level which prevailed a year earlier.

The quantity of vegetables grown for fresh consumption, with but few exceptions, has been below last year. Indicated tonnage of fall crops is down by about 20 percent. In spite of this reduction in supply and in contrast with most other foods, retail prices and farm values have declined by about the same proportion in the past twelve months. The downward trend of fresh vegetable prices in spite of a smaller supply may be attributed in part to a growing consumer preference for frozen packaged vegetables due to convenience in meal preparation.

Aggregate production of vegetables for canning is expected to be about 10 percent less than in 1948. Unprecedented production of green lima beans is in prospect, and the expected tonnage of sweet corn has been exceeded only twice. Tentative estimates of frozen foods indicate a record to near record pack.

The second largest tonnage of fruit—exclusive of citrus—is nearly harvested. Of the various fruits, apples showed the greatest increase over the previous year. Commercial production exceeding the 1948 crop by 50 percent and the long-

time average by 15 percent now seems assured. As a result prices of this fruit at the farm are currently from 25 to 30 percent or more below what they were at this time last autumn. Because of harvesting, packaging and marketing costs some growers have found it unprofitable to harvest all of their crop. Unfortunately the cost of many of the items that enter into the cost of transferring the apples from the grower's orchard to the retail counter have shown no prospect of declining. In fact, some have actually increased. As a result a significant reduction in prices of the product at the farm is not reflected at the consumer level simply because there are a number of costs incurred between the farm and the retail market which as yet have shown no evidence of decreasing.

The cost of the quart of milk delivered to city homes may be used as an example of the condition which exists with respect to many food commodities. The delivered cost of the milk to the processor currently represents about 50 percent of the total cost of a quart of milk. In the past year the cost of the raw product has declined by about 25 percent. However, the other costs which go to make up the total cost of that quart of milk such as transportation, wages and salaries, containers, fuel, insurance and taxes have registered few, if any, declines and in many instances have actually increased.

Barring a crop failure of unprecedented proportions or more serious complications in international relations the future trend in farm value of most agricultural products is likely to be downward. Substantial stocks of several major farm crops now exist, and prospects are that production rates for both livestock and crops may be further increased. Unless history fails to repeat, the efforts to support prices will do little more than modify the downward trend. Declining farm values will of course be reflected in retail prices only as fast as associated processing and handling costs decline.

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