Federal Reserve Bank of Dallas

COTTON

Spot cotton prices on Tuesday of this week averaged fractionally above a week ago. The 10-market average price for Middling 15/16-inch cotton was 34.92 cents per pound, compared with 34.81 cents a week earlier. The comparable price on the Dallas Cotton Exchange Tuesday was 34.65 cents, vs. 34.35 cents on the same day last week.

Cotton futures have shown even greater strength than spot prices during the past week. October 1951 futures on the New Orleans market closed on Tuesday of this week at 34.58 cents, compared with 34.27 cents on Tuesday of last week and 34.23 cents 2 weeks ago.

The Government sought this week to strengthen cotton prices by offering large-scale credits to foreign buyers of American cotton. This action is said to be based on the theory that if the offer is taken, growers will benefit from the effect of such buying on prices; whereas, if foreign buying is delayed or spread over a longer period of time, the price benefit might go only to those who bought cotton from growers and held it for future sale abroad. Loans to foreign buyers will be made by the Export-Import Bank from a $100 million revolving fund established several years ago for the purpose of financing export of American cotton. The fund was not used last season because of the short 1950 cotton crop.

The Rio Grande Valley is reported to have ginned over 400,000 bales of cotton, with gins now operating around the clock. Local estimates place the Valley crop at 625,000 bales, compared with 300,000 bales last year.

Rapid and premature opening of cotton extended into northern Blackland counties of Texas last week under the extreme heat and droughty conditions. Deterioration of non-irrigated cotton continued, particularly in northern and northwestern areas of the State. Irrigated cotton in the High Plains and west Texas made good progress.

GRAINS

Grain prices on the Fort Worth Grain Exchange made very slight net changes during the past week. Prices are holding at levels which reflect support prices to producers. Reports of grain purchases by foreign buyers and news from Korea and other points of international tension caused only minor ripples on the grain markets of the country, and no very significant price development has occurred in a number of weeks.

Tuesday's top grain prices on the Fort Worth market: No. 1 hard wheat, $2.59-1/2; No. 2 white oats, $1.00; No. 2 Texas yellow corn, $2.00; and No. 2 Texas white corn, $2.13 per bushel. No. 2 yellow milo is quoted at $2.52 per 100 pounds.

Rice markets in Texas and Louisiana weakened during the first part of the month as offerings of new-crop rice increased. In Houston, mid-August quotations show No. 1 Patna and Blue Bonnet at $10.50 to $10.75 per 100 pounds.

The sorghum crop in the High Plains is heading and still holding up fairly well, although rain is badly needed. Harvest has begun in the Low Rolling Plains.

LIVESTOCK

Prices on the Fort Worth livestock market held steady during the past 2 weeks. The principal change of the past week was an advance of $1.00 in the prices of slaughter calves, reaching $35.50 per cwt. Hogs were quoted at a top price of $22.75 and slaughter steers at $36.00 per cwt.

Goat and kid prices on the San Antonio market fell $1.00-$1.50 last week. Small butchers took Medium and Good 80-90 lb. shorn Angoras at $11.00 to $12.00 but only a few above $11.75 per cwt. The bulk of Common and Medium goats brought $9.50 to $10.50.

The August issue of Michigan Farm Economics, published by the Extension Service of Michigan State College, lists the pros and cons of cattle feeding at this time. The over-all conclusion of the report is that feeding beef cattle during the next year is expected to be profitable. Here is how Michigan State College economists "size-up" the situation. Factors encouraging feeding: (1) slaughter cattle prices at near record highs, (2) increased government defense expenditures, (3) continued large disposable incomes in the hands of consumers, (4) strong demand for all meats, especially beef, and (5) adequate feed supplies. Discouraging factors: (1) feeder cattle prices will be high, (2) the supply of beef will be slightly larger in 1951 than in 1950, (3) feed and supplements are higher priced this year and other costs are also higher, (4) more severe government controls could wipe out the profits of an otherwise profitable feeding program, and (5) there will be more pork in 1951 than in 1950. The factors encouraging cattle feeding outweigh the other factors, says the report.

W O O L

Trading in the Boston wool market remained practically at a standstill last week. Wool dealers studied cabled reports from New Zealand, where sales opened at prices sharply lower than the close for similar New Zealand wools at the London sales last month, according to the PMA.

A small weight of average 12-months Texas wool was reported sold last week at an estimated clean price of $2.10 per pound.

In the opinion of USDA economists, as well as analysts for the International Wool Secretariat, higher wool prices are ahead. Since consumer incomes are expected to continue to increase, demand for raw wool for civilian goods is likely to strengthen as inventories are reduced to levels in line with retail sales, says a USDA report. Military requirements during the present fiscal year again will be substantial. At the same time, the world supply of wool probably will not differ greatly from last season. World production is expected to be slightly above last year, and the carry-over in major exporting countries is larger. These increases probably will just offset the reduction in Joint Organization (a British organization) holdings and in stocks in consuming countries. World prices next season probably will average somewhat higher than at present levels, concludes the USDA. There is a word of caution, however, that government programs and policies could be important factors in the wool picture.

World Wool Digest, published by International Wool Secretariat and the Wool Bureau, offers an analysis of the wool supply and demand situation and concludes that the decline in consumption of wool in the first half of 1951 was due to a shortage of wool rather than a slackening in demand for wool. World wool consumption in the first half of 1951 "simply had to go down because supplies of wool were smaller," says the report. A decline in demand for wool would be a serious matter for the wool grower, but as yet there is no evidence for such a view, the Digest concludes.

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