The general average of farm prices on December 15 at 137 was the same as on November 15 and 10 points higher than a year ago. Most of the commodities included in the index showed moderate price increases, but they were almost entirely offset by a decline in the prices of cotton and the seasonal decline in hogs. Most of the commodities are now above last year's prices, the exceptions being wheat, hay, potatoes, hogs, eggs and chickens.

Since the 15th of December wheat prices have not changed materially. Rye, corn and oats prices have receded somewhat, and so have prices of lambs, chickens and eggs, while cotton, hogs, and cattle prices have advanced. It is, therefore, likely that the level of farm prices on January 15th will not be materially different from that of the past three months. Beyond January the offsetting movements of seasonally lower dairy and poultry prices against higher livestock, fruit and vegetable prices will tend to maintain the present level of farm prices.

At the wholesale markets agricultural prices in December averaged lower than in November, and were responsible for a slight decline in the general commodity price index (as indicated by The Annalist). Nonagricultural prices showed declines in textile products and building materials with offsetting advances in prices of fuels and metals. With nonagricultural prices at 101 per cent of their prewar average, the decline in farm prices from 139 in October to 137 in December has reduced the relative exchange value of composite unit of farm products from 92 to 91, compared with 80 a year ago.

Business conditions in general during December appear to have shown no material change from those of November. Production and freight distribution ended the year at levels considerably below last year, while distribution through retail channels exceeded that of a year ago. As a result of the lower volume of manufacturing production, factory employment and total wage payments also ended the year at levels below those of a year ago, indexes of payrolls for November, 1927, and 1926 being respectively 95.4 and 87.8 (1923=100). In the building trade employment was also below that of a year ago, the decline amounting to 12 per cent (according to reports to S. W. Straus & Co.).

These factors indicate a lower purchasing power of industrial consumers at the beginning of 1928 than at the beginning of 1927. The prospects for an improvement in this factor of domestic demand depends on the extent of the improvement in the two major industries that have been
largely responsible for the 1927 recession in industrial activity, the auto‐
robile and iron and steel industries. Evidence of improvement in
both of those interdependent industries appeared during the latter part
of December in increased production and orders and a stronger metal
price situation. A seasonal rise in these industries may be looked for.
On the other hand, trade reports continue to indicate that some reduc‐
tion in cotton mill activity is to be expected. Other factors which
would ordinarily suggest a seasonal advance in business activity are
the lack of burdensome inventories and the ample supply of credit at
moderate interest rates. The latter, however, has been a favorable factor
throughout 1927, which did not prevent a moderate industrial recession.
Instead they have formed the basis for speculative activity with the
result that stock prices have continued to reach new peaks to the end
of 1927.

Unless there is more than the usual seasonal improvement in indus‐
trial business conditions in the near future, it is unlikely that money
incomes of industrial consumers will be restored to the incomes of last
spring. During the past four years payroll totals have been lower in
January than in the preceding December, and have reached seasonal peaks
in March with low points in July. Last year the index of payrolls for
March stood at 98 compared with 88 in November. It is evident that a
ten point rise in payrolls would be necessary by March 1928 to equal
last year's level. Ordinarily the rise during the winter months averages
about 6 points. A ten point rise did occur in the boom of the early
part of 1923, a prospect not commonly expected to take place this year.

WHEAT

In the past month there has been no material change in the estimate
of world wheat production, wheat has continued to move freely in inter‐
national trade, and foreign markets have continued to strengthen. Wheat
prices as measured by the weighted average price of all classes and grades
at six markets continued through December on a level above the low point
reached in November and conditions generally appear favorable to main‐
taining prices on this higher level through January. The average farm price
of wheat increased from 111 cents as of November 15 to 114 as of December
15, which is about the same as in October but 9 cents below the farm price
for December last year. Cash prices of all classes and grades at six
markets advanced from an average of 123 cents, the low point reached early
in November, to an average of 129 cents for the week ending December 16th,
dropped one cent the next week and remained at 128 to the end of the
month. The closing price of May futures in Chicago January 9th was 131
as compared with 135 December 1 and 139 a year ago. The Liverpool price
of May futures January 9 was higher than a year ago and 18 cents higher
than Chicago, being 149 as compared with 147 a year ago. Winnipeg
futures were also higher than a year ago. The higher Liverpool prices
this year, with freight rates much lower than last year, are a strength‐
cening factor in the present wheat market situation.
The course of prices of No. 2 red winter wheat at St. Louis in the past month has followed in general last year, rising to a high point the second week in December and then dropping 5 cents for the last week in the month, averaging 143 as compared with 134 last year. The price of No. 2 amber durum at Minneapolis has increased materially from 121 the first week in November to 135 at the end of December, which is 39 cents below the average for the corresponding week last year. No. 2 dark northern spring in Minneapolis gained 6 cents in the same period, averaging 138 at the end of the month, compared with 147 last year, while No. 2 hard winter at Kansas City holds around 130 as compared with 138 last year. At the present time there is nothing in prospect to indicate any material change in the position of these several classes of wheat.

The wheat crop of 40 countries, exclusive of Russia and China, is now estimated to be 3,428 million bushels, compared with 3,703 million bushels last year, an increase of 125 million bushels; but it still appears that this increase in production is to be largely offset by a reduction in supplies from Russia and poor quality of wheat in Canada and North European countries. The Argentine official estimate of 240 million bushels is only 5 million greater than was indicated last month by a statistical analysis of the relation between weather conditions and yield. The official report therefore did not materially change our estimate of the world's supply. Practically all countries have now reported. Further changes in estimates for this year will be made only through revisions of preliminary estimates. The effect of conditions in the harvesting season upon the quality of the crop is still to be determined. Canadian receipts are still grading low. Of the inspections August 1st to December 30th only 40.7 per cent graded No. 3 northern or better this year, as compared with 43.0 per cent last year. We have no definite measure of quality in European countries but reports continue to point to poor quality and indicate that these countries are likely to increase imports on account of this fact.

It now seems probable that Europe, notwithstanding a somewhat larger wheat crop, will import as much as or more wheat than last year. Imports to date have exceeded the imports for the corresponding period last year and there is no indication of a slackening demand. As has been pointed out in previous reports, higher prices for food grains, the low quality of wheat, and relatively high prices for rye continue favorable for an increase in European wheat consumption.

With navigation upon the Great Lakes closed European countries will have to depend mainly upon Argentina, Australia and the United States for supply through the next two months. The Australian crop is much shorter than last year and the exportable surplus of wheat from Argentina is about the same as last year. The opening of the Lakes of course will release the Canadian supply, the remainder of which is probably larger than the amount remaining to be shipped after the closing of the Lakes last year.
CORN

Corn prices declined materially during December, the price of all classes and grades at five principal markets declining from 82 cents the first week in the month to 72 cents for the week ending December 31. The average price of all classes and grades for December was 77 cents as compared with 79 cents for November and 66 cents for December last year. The farm price of corn on December 15 was 75.1 cents, compared with 73.7 cents a month earlier and 57.7 cents a year ago. Market prices declined from the middle of December to the end of the month, but recovered part of the decline the first week in January, No. 3 yellow at Chicago declining from 87 cents for the week ending December 16 to 82 cents for the last week of the month and then advancing to 85 cents for the first week in January.

The decline in prices is largely accounted for by the larger supplies indicated by the December estimate of production and increased country offerings. The higher level of prices when compared with a year ago is largely due to a smaller oats crop of poor quality, the increasing foreign demand, and the location of the surplus corn.

The December estimate of production of 2,786 million bushels is 94 million bushels larger than the 1926 crop, but when the difference in the carryover of old corn is considered, the total supplies on farms is only 22 million bushels greater than a year ago.

Receipts of corn at 13 primary markets during December were 36,777,000 bushels compared with 22,528,000 bushels at the same time last year. The visible supply of corn increased about 4,750,000 bushels during the month but on December 31 was still about 9,000,000 bushels less than a year ago.

An active demand for corn is indicated by the small increase in visible supplies while receipts were somewhat larger than a year ago and equal to the December average of receipts from 1921 to 1925. Movement from the territory west of the Mississippi river has been large and corn from this area is being taken by eastern markets and is also being brought into interior points of Ohio, Indiana and Illinois where the quality is poor and supplies low this season.

The higher level of both farm prices as reported for the United States as a whole and prices at the central markets is due partly to the fact that the surplus corn this year is located in the western states which requires a longer haul and higher freight charges, and that the eastern part of the Corn Belt which usually supplies a large part of the surplus corn is buying corn from western markets. The farm price of corn in Nebraska and Kansas is 4 and 5 cents respectively lower than a year ago while the farm price in Indiana, Ohio and Illinois is 20, 19 and 16 cents respectively higher than in December last year.

The smaller corn crop in Europe and the small supplies available for export in Argentina caused exporting bids at the Gulf to advance materially during December. Although the exports of corn for November and December
this year were less than a year ago the advancing prices in Europe have caused considerable corn to move to Gulf ports and indicate an increase in demand for United States corn for the next few months.

The usual trend of corn prices is upward from January or February to August. The advance of prices during this period, however, is affected somewhat by the visible supplies in the primary markets, the number of livestock on farms and the location of the crop. Last year prices remained at nearly the January level until May when the lateness of the new crop caused a marked advance in prices. Present indications are that the trend of prices for the next few months will not be materially different from last year as feeding requirements will not be much greater than a year ago, farm supplies are about the same, and the difference in price which might be expected due to the location of the crop is already accounted for by the higher level of prices which prevails this year.

COTTON

The average spot price of cotton at ten important spot markets last month was somewhat less than November, being 18.99 cents for December as compared with 19.74 cents for November, 19.31 cents for December, 1925, and 11.81 cents for December, 1926. Prices received by producers on December 15 averaged 18.7 cents compared with 20.0 cents on November 16, 1927, and 10.0 cents in December, 1926. Market prices since December 15 have advanced slightly, the price at ten important spot markets averaging 19.21 cents on January 6, compared with 18.88 cents on December 15. Usually at this time of the season the cotton market is relatively stable, as the size of the crop has become more definitely established. Quotations for the fall future months (October and December, 1928) during the first week in January were around 18 3/4 cents to 18 3/4 cents per pound, compared with 13 1/2 cents to 14 cents in 1927.

The world's visible supply of all cotton on January 6, according to the Commercial and Financial Chronicle, was 7,421,000 bales compared with 8,502,000 bales on January 7, 1927, and 7,032,000 bales on January 8, 1926. World mill takings of American cotton to January 6, according to the same source, were 7,632,000 bales, compared with 7,939,000 bales for the corresponding period last year, or only about 4 per cent lower, while the indicated crop is 29 per cent below the final ginnings of last season. World spinners' takings of all kinds of cotton to January 6 were 10,107,000, compared with 10,372,000 to the same date a year ago, according to the Commercial and Financial Chronicle.

With an indicated crop on December 1 of 12,789,000 bales (500 pound equivalent) and a carryover of American cotton in the United States on August 1 of 3,663,000 running bales, according to the Bureau of the Census, the total supply of American cotton in the United States for the 1927-28 season is approximately 16,452,000 bales. The carryover on August 1, 1926, was 3,413,000 running bales and the final ginnings of the crop was 17,755,000 running bales, (equivalent to 19,977,000 500-lb.
bales), giving a total supply of American cotton in the United States for
the crop year 1926-27 of 21,168,000 running bales. Up to December 1
exports were 3,037,000 bales this year, compared with 4,008,000 to the
same date a year ago and consumption in the United States to the same date
year was 2,499,000 bales compared with 2,223,000 bales for the corresponding
period last year. When consumption and exports are deducted from production
and carryover, the total available supplies in the United States on
December 1, 1927, were approximately 10,916,000 bales, compared with about
14,937,000 on the same date a year ago. The total consumption of American
cotton by United States mills from December 1, 1926 to July 31, 1927, was
4,360,000 running bales and exports were 6,919,000 running bales, accord-
ing to the Bureau of the Census.

Exports of cotton from the United States to Great Britain from
August 1 to January 6 were 575,000 bales this season and 1,472,000 bales
for the same time last season. Exports to France, Germany and Italy,
totalled 2,251,000 bales against 2,716,000 the same time last year and to
China and Japan 627,000 bales against 816,000 for the corresponding period
last year.

The situation in the British cotton textile industry shows some
improvement. Early in January the market at Manchester for cotton manu-
factures was well supplied with "inquiry" and demand was tending to
broaden, according to a cablegram from Tattersall published by Pearson.
Exports of both yarn and piece goods from the United Kingdom during
November were above November, 1926, and even greater than November, 1925,
according to official British trade statistics. Exports of piece goods
for November, 1927, 1926, and 1925, were 402,154,000, 277,640,000 and
325,912,000 square yards respectively. The stocks of cotton of all
kinds at Liverpool and Manchester on January 6 were 931,000 bales,
against 1,375,000 bales and 1,000,000 bales on corresponding dates for
1926 and 1925.

WOOL

As reported in the Price Situation for last month, trading in
domestic wool on the Boston market continues slow, part of the dullness
being due to inventory taking. Prices received by producers are reflecting
the general advance of market prices, and averaged 32.0 cents on December
15, as compared with 31.1 cents on November 15 and 30.1 cents on December
15, 1926.

Higher prices and keen competition characterize the present situ-
ation in foreign wool markets. As the current season has advanced, con-
suming countries have given evidence of ability to absorb more wool than was
taken last year, when the upward trend in demand became clearly marked.

[1/ Data on foreign stocks and exports from the Commercial and Financial Chronicle.]
The result has been fairly regular strengthening of the primary markets, which has been reflected in most importing countries. Estimates of wool production for the 1927-28 season in nine important producing countries, which usually produce from 65 to 75 per cent of the world’s clip indicate a 4 per cent decrease from last season in those countries, according to Foreign Crops and Markets of December 27, 1927. This, together with the fact that stocks in exporting countries at the beginning of the 1927-28 season were smaller than at the beginning of the previous season, point to slightly smaller supplies of wool this season than last. Sheep numbers in 18 countries reporting in 1927 reached a total of 361,375,000, an increase of 7 per cent over 1926 and 5 per cent over pre-war. The preliminary estimate of sheep numbers in Australia on January 1, 1927, according to the Commonwealth statistician, is 103 million or 563,000 below the revised 1926 figure, and, according to the Pastoral Review, a still further reduction in 1928 is not improbable due to prolonged drought in Queensland and drought conditions in New South Wales during most of 1927.

At the close of the last series of the London sales on December 13 prices of most grades were 5 to 7½ per cent higher than the closing prices of the previous series on November 25, although there was some weakness in greasy fine merinos. Compared with the same time last year the prices for most grades were 10 to 25 per cent higher. The seventh series of the Sydney sales opened on January 3 with strong general competition and values firm, according to a cablegram from Consul General Lawton.

While domestic consumption of combing and clothing wool in October was practically the same as for October last year, consumption in November fell below the previous month and November, 1926, but was slightly above November, 1925. Imports of combing and clothing wool in November were less than for any November since 1924 and declined 27 per cent from October, while last year imports for November were 52 per cent greater than for October.

In view of the light supplies abroad, the continued strength of foreign markets, the relative lower prices of wool in the United States as compared with prices abroad, unless there is a further recession in general business activity, the wool market in the United States may be expected to continue firm in the near future.

CATTLE

Cattle prices, after reaching the highest point of the year early in December, declined sharply about the middle of the month. This decline in prices affected all kinds of cattle, but the better grades declined most, some kinds declining over $2.00 a hundred. The week following this decline receipts were materially reduced and some recovery in prices followed. With continued small supplies into the first week in January prices recovered to the high level reached in December and in some cases reached new high levels.
Receipts of cattle at seven markets during December were the lowest for any December since 1921 being 14 per cent below December, 1926, and 20 per cent below the five year average for that month. Chicago receipts alone were the smallest for any December since 1898, and the supply of well finished cattle at that market was especially small. At present high price levels for well finished cattle the market will doubtless be very sensitive to any temporary increases in receipts of the better grades and sharp fluctuations in prices for those grades during the next few months are to be anticipated. Reports of the number of cattle on feed this winter indicate that receipts for the next few months will continue to run materially below a year ago, but the seasonal tendency for well fed cattle to make up a larger proportion of receipts during the late winter months will probably result in some reduction of the spread in prices between the best and poorer grades of cattle.

**LAMBS**

While top lamb prices at Chicago in December were maintained at about the same level as in November, the average price was lower due to increased price discrimination against heavy lambs and the increased proportion of such lambs in the receipts. Prices were highest during the first half of the month and broke about the third week, but recovered partly during the last week. Receipts at seven markets were about 7 per cent smaller than in December a year ago, but were above the five-year average. A heavy movement of weighty lambs during the next two months is indicated from reports as to number and weight of lambs on feed in important areas.

**HOGS**

The market supply of hogs during December as measured by receipts at all public markets was about 8 per cent greater than a year ago. The increase over November, which amounted to 13 per cent was slightly greater than was the case in 1926, but was in line with the average or normal seasonal change.

Prices followed about their usual seasonal trend, medium weight hogs at Chicago averaged 86 cents lower in December than in November. The price trend was downward the first half of the month and worked upward during the second half. This was followed by increased receipts near the end of the first week in January when the seasonal peak of marketings usually occurs, which forced prices back to the low level reached around the middle of December. Prices of all hogs at the end of the year averaged the lowest for the season since 1923 and were from $3.00 to $4.00 lower than a year earlier with the greatest decline occurring on lighter weight hogs.
The origin of market supplies so far this winter has been much different from that of last winter. Receipts have been relatively large at southwestern, southern and eastern Corn Belt markets, while receipts at northwestern and western Corn Belt markets have been relatively small, thus making the total market supply much greater than the customary seven-market total would indicate. The large marketings apparently have been the result of increased hog production, which was indicated by the relative size of the spring pig crop in the different areas last year and a poor corn crop in the eastern Corn Belt.

Hog weights have been somewhat below the average for the season in the areas of increased marketings, while in the western Corn Belt hogs are somewhat heavier than a year ago, thus indicating possibly a slight tendency to hold hogs longer for feeding to heavier weights where corn is more plentiful. The decreased total marketings from that area, however, appear to have been largely the result of conditions such as the small corn crop in 1926 and the cholera situation at that time, which affected the size of the pig crop of last spring, thus delaying the usual expansion in hog production. The 1927 fall pig crop, however, showed a marked increase over the corresponding crop a year earlier indicating that the western Corn Belt lagged behind other areas in the present upward trend of the production cycle.

So far this winter packer demand has been less active for hog products to place in storage than a year ago. This, together with the continued weak foreign demand, has caused a larger proportion of current slaughtering to be forced into current domestic consumption than last year. With retail prices lagging behind wholesale, very drastic declines in prices of pork and products at wholesale have resulted, which continued through December. Fresh cuts and pork products (except lard), at the end of December sold mostly around one-third to one-quarter lower than a year earlier.

Hog receipts this winter have not yet shown the full increase in the 1927 spring pig crop reported by the midsummer survey. This may mean that the survey indicated a larger crop than was produced, or that heavier receipts are still to come. However, indications are that foreign demand through the winter will continue even lower than last year, so even if supplies show the usual decline it is doubtful if the spring advance in prices from the December or January low point will be any more marked than usual.

Exports of pork in November were 38 per cent less than in November 1926, while lard was 13 per cent greater. All products combined decreased 7 per cent. The rather marked movement of stocks out of storage and the 15 per cent increase in production indicate a 12 per cent greater wholesale distribution of all pork products in November. Total storage stocks of pork on January 1 were 523,508,000 pounds or 11 per cent greater than at the beginning of 1927, and lard was 54,757,000 pounds, or 9.5 per cent more.
Receipts of butter at the four markets during December were about 5/10 of 1 per cent greater than a month earlier, somewhat less than the normal increase from November to December, and 4.5 per cent less than December, 1926. Prices, however, although steady throughout the month, failed to make the usual seasonal advance, averaging 52 cents for December, just two cents higher than in November, and almost three cents below last December.

The movement of butter out of storage was considerably greater than last December, the increased disappearance of storage butter being nearly enough to offset the reduced receipts of fresh butter. Storage stocks on January 1 were 46,309,000 pounds. This was 11,362,000 pounds larger than a year ago, and 4,320,000 pounds above the average for the last five years. The material reduction in the surplus compared with a year ago indicates that storage holdings are no longer unusually heavy, and no longer are likely to act as a disturbing element in the situation.

Foreign markets weakened during late December to a point where imports into the United States became possible. And in fact several shipments of New Zealand butter were purchased late in December and early in January. The weakening of the foreign markets was attributed to the improvement in Australian pasture conditions during December, and the fact that New Zealand production was already running about one-quarter heavier than last year.

Domestic demand is not quite so strong as a year ago, trade disappearance in December being slightly below that of December, 1926, when prices were slightly higher. However, the December prices were maintained through the first week in January, whereas last year a rather sharp price break occurred at that time, and prices early in January are actually above those at the beginning of January, 1927. Feed conditions are rather favorable for a heavy winter production. It is true that certain grains and concentrates are generally considerably higher than a year ago, but this may be more than counterbalanced by the plentiful crop of legume hay in the central and western dairy regions, and the lower prices prevailing. Inasmuch as hay makes a large percentage of the rations in general use the lower prices compensate for the higher prices of grains. The report of crops and livestock estimates on corn utilization indicates that the amount of corn put into silos last fall was 2 per cent greater than a year ago. The favorable prices of dairy products now prevailing seem to provide the same incentive for liberal feeding that there was last winter. Already, since the passing of the severe weather in December there are evidences of more than the normal seasonal increase in production. This is shown by reports of producers organizations and receipts at the large markets where the receipts since January 1 have exceeded the same period in 1927 by about 7 per cent.