THE PRICE SITUATION, FEBRUARY, 1928

FARM PRICES

The general average of farm prices on January 15 remained unchanged from December at 137 and was 11 points higher than on January 15, 1927. Slightly higher prices of grains and apples were offset by lower prices for hogs and eggs. All other prices changed very little from those prevailing in December. Compared with prices a year ago, cotton, cattle, corn, barley, horses and apples were considerably higher and hogs, hay, and potatoes were considerably lower. No marked changes during the next month or two in the general average of farm prices are at present evident.

Wholesale prices of farm products during January also remained at the December level, and similar stability existed in nonagricultural prices as a whole. Toward the end of January an increase in building material prices was offset by a decline in textile products prices. With this temporary stability in both agricultural and nonagricultural prices, the relative exchange value of farm product prices (at 137) and nonagricultural prices (at 151) remained at 91 and is not likely to change materially during the next month or two.

BUSINESS CONDITIONS

Different tendencies in the major lines of business during January appear to have maintained the purchasing power of consumers at the level which prevailed during December. During January production and employment increased in the pig iron, steel and automobile industries, but activity in textile mills and the building trades continued downward. Automobile production was nearly at last year's level. Pig iron production increased, but was still below last year's level, and the value of building contracts awarded was about 11 per cent higher than that of January a year ago. Freight car loadings continue below those of a year ago, but this reduction is due to a lower volume of coal, coke, lumber and ore. Mail-order house sales declined but were 6 per cent above those of a year ago, and retail trade was 1 per cent below last year's volume, the reductions being mostly in the Eastern and the Minneapolis Federal Reserve Districts.

Interest rates were somewhat higher in January than in December and during the first week of February several Federal Reserve Banks increased their rediscount rates. The immediate effect was a temporary moderating influence on speculative activity on the stock market. It is not generally expected that the firmer interest rates will prevent the usual spring recovery in business activity, but as indicated in the
preceding issue of the Price Situation, this recovery may not bring business activity and the purchasing power of industrial consumers to the level of a year ago.

WHEAT

Wheat prices in the past month continued slightly upward except for durum which declined. The average farm price of wheat rose from 114 to 115 cents per bushel between the middle of December and January 15. Cash prices of all classes and grades at six markets for the week ending February 3 averaged 131 compared with 123 the week ending December 30. The price of May futures in Chicago, on the other hand, held about the same level, and declined at Liverpool. The May futures margin between Chicago and Liverpool was reduced from 13 cents as of January 9 to 14 cents as of February 9. The margin of Minneapolis prices over Winnipeg has increased.

The prices of soft red winter wheat have risen and continue to be considerably above last year. No. 2 red winter at St. Louis rose from 147 the last week in December to 152 for the week ending February 3rd. This class of wheat is definitely on a domestic market basis and is likely to continue so until the new crop becomes available. The price of durum wheat, on the other hand, declined materially, No. 2 amber durum at Minneapolis dropping from 135 to 123. Prices of hard red spring wheat strengthened somewhat, No. 1 dark northern increasing from 138 to 143 and hard winter prices rose slightly, No. 2 at Kansas City rising from 136 to 138 and then dropping back to an average of 131 cents per bushel for the week ending February 3rd.

Estimates of world supplies of wheat have not materially changed. It now seems probable that Russian shipments for the year will be about 40 million bushels less than last year, as exports to date have amounted to only about 5 million bushels. The Argentine crop is now moving in large volume but the Australian shipments are smaller than last year. A larger commercial supply has accumulated in Canada, the movement of which will await the opening of the Lakes. Altogether it seems that the surplus of exporting countries remaining to be shipped this season is but very little if any larger than at the same time last season, and deficit countries probably will take in the remainder of the season about as much wheat as they took in the same period last year.

Estimates of area seeded received to date, in territory which last year accounted for about 50 per cent of the crop, indicate an increase of 4 per cent outside of Russia. Reports from Russia indicate that fall seedings were probably less than last year and that a considerable amount of winter killing is expected. The condition of the wheat crop in North Africa appears to be fairly good, and in India and most European countries about average.
At present there is no definite indication of a change in the direction of wheat prices. Fluctuations are to be expected of course. The prospects as to the date of opening the Lakes may become a factor of some temporary importance toward the end of March. The influence of estimates of seedings and reports as to the prospects for the new crop will become of increasing importance as the weeks pass.

CORN

The general level of corn prices for the first week in February, as measured by the prices of all classes and grades at the five principal primary markets, was about the same as during the first half of January. Corn prices at these markets advanced from 77 cents the first week in January to 81 cents for the week ending January 20 and then declined to 78 cents for the week ending February 3. The price of No. 3 yellow corn at Chicago advanced from 85 cents for the first week of January to 89 cents for the week ending February 3, and averaged 88.6 cents for January as compared with 86.4 cents for December and 74 cents for January a year ago. The farm price of corn as of January 15 was 75.2 cents compared with 75.1 cents in December and 58.9 cents in January, 1927.

The visible supply of corn increased from 27,034,000 bushels on January 1 to 28,558,000 on January 28. The usual increase in supplies during this period is about 6,500,000 bushels and this increase of only 1,500,000 bushels this year indicates a very active demand for corn. Although receipts at the eleven principal corn markets during December and January this year have been about 50 per cent greater than a year ago, this is not a correct measure of country marketing as there has been considerable reshipment between primary markets due to the abnormal location of the 1927 crop.

The decrease of 4 per cent in the number of horses on farms January 1, 1928, compared with a year earlier, and the decrease of 2 per cent in mules, and 2.1 per cent in cattle is more than offset by the 8.4 per cent increase in hogs and 6.5 per cent increase in sheep when considered as a measure of the demand for feed. This is practically offset, however, by the large increase in marketing of hogs the first six weeks of 1928 and the abundance of cheap hay available. It is, therefore, likely that the amount of corn required for feed for the remainder of this season will be about the same as a year ago.

The smaller crop of feed grains in Europe has resulted in increased shipments of feed grains from the United States and the taking of the surplus corn from Argentina. Corn exports from the United States from November 1 to February 4 have been somewhat below a year ago, but according to the Price Current Grain Reporter exports of American corn from November 1 to February 4 were 3,820,000 bushels compared with 1,453,000 bushels to the same date a year ago. European prices for United States corn have been high and have had a favorable influence on United States prices. Argentine supplies of corn from the 1927 crop are practically
exhausted, and until the new Argentine crop is available Europe may return to the United States.

Estimates of the Argentine crop now being harvested will be a factor of some importance in the market for the next few months. The first official estimate of corn acreage in Argentina for 1927-28 is 10,608,000 acres compared with 10,650,000 acres a year ago. Growing conditions during the season have been reported as favorable for the corn crop. According to trade reports new Argentine corn for April and May shipment is being offered at around 20 cents below quotations on United States corn.

The trend of corn prices in the United States until the new Argentine crop becomes available may be affected materially by European demand for corn. The trade apparently expects a considerable amount of corn to be exported from the United States to Europe. Large European purchases from the United States would undoubtedly be a strengthening factor in the market and might cause a material rise in prices. On the other hand, since European consumers prefer Argentine corn and small grains to the corn of the United States, they may postpone in so far as possible further purchases of corn until the new corn can be secured from the Argentine and therefore the expected increase in demand for corn from the United States may not fully materialize.

COTTON

The average price of Middling spot cotton at 10 important spot markets for January was 18.44 cents, which was the lowest for any month thus far this season and .55 cents lower than for December, 1927. Prices received by producers on January 15, averaged 18.6 cents compared with 13.7 cents on December 15, and 10.6 cents on January 15, 1927. Cotton prices at the 10 important spot markets declined from 19.18 cents on January 4, to 16.59 cents on February 2, but recovered during the second week in February to 17.71 cents on February 11.

The world's visible supply of American cotton on February 10, according to the Commercial and Financial Chronicle was about 6.4 million bales compared with 7.0 million bales on February 11, 1927. According to the same source, world's mill takings of American cotton to February 10, were 9.2 million bales, compared with 10.2 million bales for the corresponding period last season, or about 10 per cent smaller. The indicated supply of American cotton in the United States for the season 1927-28 is approximately 16.5 million bales, compared with about 21.2 million bales in 1926-27.

Up to February 1 of this season exports were 4.5 million bales, domestic consumption 3.5 million bales, the total of which deducted from the indicated supply left an available supply in the United States on February 1 of approximately 8.5 million bales. In comparison, exports for the corresponding period in 1927 amounted to about 6.6 million bales and domestic consumption of American to about 3.3 million bales, which left an available supply on February 1, 1927 of about 11.3 million bales.
Stocks of American cotton at British ports on February 10, 1928 as reported by the Liverpool Cotton Association were approximately 522,000 bales, compared with 999,000 bales and 614,000 bales at the corresponding dates of 1927 and 1926 respectively. In the Continental ports they were, according to the same source, 1,032,000 bales as compared with 1,035,000 bales and 625,000 bales respectively on the corresponding dates of 1927 and 1926.

The Bureau of the Census reported that domestic consumption of American cotton in January was 557,906 bales, compared with 519,004 bales in December, and 580,318 bales in January, 1927, and the quantity of American cotton on hand in domestic consuming establishments on February 1, 1928, was 1,624,191 bales, compared with 1,786,962 bales on the same date in 1927.

According to reports from mills received by the Association of Cotton Textile Merchants of New York, and the Cotton Textile Institute, the ratio of sales of goods to production during the first four weeks of January was 65.2 per cent compared with 110 per cent for December and 165 per cent for January, 1927, and stocks were 367,223,000 yards at the end of January, 1928, compared with 336,501,000 yards at the end of December 1927. Stocks of several classes of cotton manufactures in department stores at the end of December were below a year previous, according to the Federal Reserve Board. Developments in the cotton textile situation in Continental Europe during December and January appear to have been somewhat favorable from the standpoint of raw cotton consumption, according to L. V. Steere, Acting Agricultural Commissioner at Berlin. Mills in Central Europe report an increase in new business after a declining tendency of sales for two or three months and there are also indications of improvements in France and Italy. Cotton textile business continues depressed in Japan. On December 31 cotton yarn stocks at Kobe and Osaka were 56,000 bales or 13,000 greater than on November 30, according to the Department of Commerce. Activity in the American section of the British cotton industry continues at a low level, but spinners' takings of American cotton this season to date are somewhat larger than a year ago. British news reports indicate efforts to lower wages and increase working hours. Deliveries of American cotton to spinners in Great Britain from August 1, 1927 to January 27, 1928 as reported by the Liverpool Cotton Association were 960,000 bales compared with 892,000 bales and 1,097,000 bales in the corresponding periods of 1926-27 and 1925-26 respectively.

WOOL

The principal features of the domestic wool market during January were the marked strength of raw wool prices, a rise in the prices of wool tops and yarn much greater than for some months past, continued light stocks, and an indication of some slackening in wool manufacturing activity as shown by statistics for December. Prices of wool at Boston in January advanced 2 to 5 cents, somured basis, and reached the highest point of the present upward movement for most grades of domestic wool. Prices of wool tops and worsted yarn showed more response to the upward movement of the raw material than for some months, the index of composite worsted yarn being 171.6 on January 27, as compared with 167.6 on December
30, according to Fairchild's report. The average price received by wool producers on January 15 was 33.2 cents, compared with 32.0 cents on December 15 and 30.9 cents on January 15, 1927. Private reports indicate that contract prices for the new clip are higher than the January 15 price quoted above.

Consumption of combing and clothing wool by reporting mills in December was 30,367,000 pounds, compared with 34,728,000 pounds in December, 1926. Available statistics on machinery activity likewise indicate some slackening in the weaving industry. The percentage of total number of looms active and of total hours active in December were below November, 1927, and December, 1926, according to reports received by the Department of Commerce. Since consumption of combing and clothing by reporting mills was 19,000,000 pounds greater in 1927 than in 1926, production of fleece wool in the United States in 1927 was only about 11,500,000 pounds greater and imports of combing and clothing wool were 64,000,000 pounds less, total stocks of wool in the United States are at a very low point.

Stocks of combing and clothing wool by reporting dealers and manufacturers on December 31, 1927, were 180,227,000 pounds (grease equivalent) compared with 213,814,000 pounds on December 31, 1926. As compared with the previous quarter (September 30, 1927) aggregate stocks of domestic combing and clothing wool decreased 49 per cent while foreign wool, not including carpet increased 11 per cent. Aggregate stocks of all wool by reporting dealers and manufacturers on December 31, 1927 were 230,040,000 pounds against 392,419,000 for the 5-year average. Stocks of foreign combing and clothing wool in bond at Boston on December 31, 1927 were on 3,771,000 pounds against 29,361,000 on December 31, 1926.

Imports for December were 22 per cent less than for December, 1926 and imports at three principal ports were 26 per cent less for the period January 1-28, 1928, than for the corresponding period in 1927.

The number of men's and boys' garments cut during November was somewhat less than for November a year ago, according to firms reporting to the Bureau of the Census.

The index of wholesale trade in men's clothing in December was considerably above November, 1927, and December, 1926, after adjusting for seasonal variation, according to the Federal Reserve Board. Department store sales of men's clothing in December were slightly above the previous month.

The first series of the London Wool Sales this year closed early in February with prices generally 5 to 10 per cent above the closing rates of the previous series. Prices of wool manufactures at Bradford are firm, according to a cablegram received by the Bureau of Agricultural Economics from Consul Thompson. Improvement is noticeable in the demand for white botany yarn. Home demand and exports of piece goods, particularly of the better class worsteds and tweeds, have shown a steady improvement.
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 5 per cent decrease from last season in those countries, according to various sources as published in "Foreign Crops and Markets for 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. Wool production in the United Kingdom in 1927 is estimated by the Yorkshire Observer to be 118,537,000 pounds, compared with 114,567,000 last year, an increase of 3 per cent. Wool production in Canada is officially estimated at 18,673,000 pounds in 1927, compared with 17,960,000 pounds in 1926, or an increase of 4 per cent. Although Australian wool receipts up to December 31, 1927 aggregated 2,131,000 bales, compared with 2,211,000 bales for the same period last season, total disposals have been slightly larger amounting to 1,257,000 bales against 1,213,000 for the same period last season. The weight of the bale this season is reported to be less than last season. Wool remaining in store on December 31, 1927, amounted to 874,000 bales, compared with 999,000 bales on December 31, 1926, according to the National Council of Wool Selling Brokers quoted in London Chamber of Commerce Journal.

The number of sheep and lambs on farms in the United States on January 1, 1928 was estimated at 44,545,000 head, or 6.5 per cent larger than the revised estimate for January 1, 1927, and the largest number in sixteen years.
HOGS

Hog prices have been relatively steady since the middle of December, with weekly average cost at Chicago ranging from $6.05, week ending December 17, to $6.40, week ending January 7. Since the first week in January, weekly average cost has ranged from $5.13 to $6.29. Compared with a year ago prices are down about 31 per cent.

Wholesale prices of fresh pork in Eastern markets turned upward during the latter part of January, after reaching a low point in the middle of the month, and have shown a tendency to harden in Chicago. Prices of cured products and lard have been generally steady at Chicago, but with the exception of lard continue to show a downward tendency in the East.

Hog receipts at all markets in January were 24 per cent larger than a year ago. The increase was very unevenly distributed, markets east of the Mississippi River showing an increase of about 34 per cent while the Missouri River group showed an increase of only 8 per cent. The increase in receipts became more pronounced in the latter part of the month and was still larger in the first half of February as indicated by receipts at the seven large markets. Following an increase of 20 per cent in January this group of markets showed an increase of 41 per cent up to February 11, the Missouri River group alone showing an increase of 34 per cent compared with a year ago. Average weights are running slightly below those of a year ago at markets east of the Mississippi, but are a little heavier at Missouri River markets. Total exports of pork and lard during January were apparently about 4 per cent less than in January, 1927.

The ability of hog prices to hold in the face of increasing receipts indicates strong buying support in the market and that slaughterers apparently are anticipating a good future demand for pork products and higher prices. "With the present buying strength and the expected seasonal reduction in receipts during the next six weeks it appears likely that prices will make their normal seasonal advance. In previous years when the position of the hog cycle was similar to that of the present, hog prices advanced about 15 per cent above the winter low to the peak of the spring rise which is generally reached in late March or early April.

CATTLE

Cattle prices were steady to strong during the first half of January but some weakness developed during the second half and prices of some of the better grades of beef steers declined nearly $1.00 per hundred. The poorer grades of beef steers and other kinds of slaughter cattle declined less. Stocker and feeder cattle prices continued strong and in January reached the highest levels in eight years. Although the average cost of stocker and feeder steers at Chicago in January, 1928, was 35 per cent above January, 1927, the spread between killing steer prices and feeder steer prices was $3.33 in January, 1928, compared to $2.05 in January, 1927.
Receipts of cattle at 7 markets in January, 1928, were 7 per cent below January, 1927, and the second smallest for the month in over 10 years.

LAMBS

Lamb prices were weak during the first half of January, but made a substantial advance during the second half, which continued into the first week in February and carried top lamb prices to nearly $16.00 and to the highest level since early last summer. Although receipts at seven leading markets in January were about the same as in January, 1927, prices this year averaged somewhat higher and no such advance in prices occurred last year until about the first of March. The number of lambs on feed indicates that 2nd lamb supplies for the next few months will be considerably larger than last year. The location of these supplies point to relatively small receipts at markets east of Chicago and liberal supplies at Missouri River markets. Eastern slaughterers who ordinarily get their supplies at nearby markets probably will have to seek a part of these at western markets, which will increase the shipping demand at those points.

BUTTER

Conditions discussed in the January report as favorable for heavy winter production of butter have since been reflected in a marked increase in receipts. From January 1 to February 10 receipts on the four principal markets were about 11 per cent heavier than a year ago, amounting in the two periods to 57,913,000 pounds and 52,042,000 pounds respectively. Storage stocks were further substantially reduced in January, a movement of 18 million pounds bringing the holdings on February 1 to 28 million pounds or just slightly above the 5 year average of 27 million pounds.

Ninety-two score butter at New York averaged 49 cents during January, the same as last year, but between January 1 and February 10 declined from 52 cents to 47 cents. Last winter the January decline in the price of 92 score butter from 53 cents to 48 cents was influenced relatively more by imported supplies and was followed by recovery to 51 cents in early February and maintained at about that level until May. Prices on 88 score have remained comparatively steady at around 43 cents, the margin between 92 and 88 score having narrowed from 9 cents during December and the first week in January to 4 cents in late January and early February. The average difference for the month of January was 6 cents this year against 3-1/2 cents the proceeding January, and an average for the month of January of about 4 cents.

Imports during December and early January approximated 1,500,000 pounds. The cheapening of domestic butter especially of the higher grades has tended to check importation, the price difference between 92 score in New York and the Copenhagen export quotations having been little more or less than the import duty of 12 cents since the first week of January. The narrowing of this margin which had reached 16 cents on December 22 was brought about almost wholly by the lowering of domestic prices.
With unusually heavy current production along with storage holdings still up to war and foreign offerings available, duty paid, at competitive prices, there has been somewhat more than the usual seasonal decline in prices during January. Apparently the unusually abundant supply of home-grown feed, particularly roughage of good quality in butter-producing sections will continue to dominate the situation during the wintering season.