THE PRICE SITUATION, MARCH, 1928

FARM PRICES

The index of farm prices on February 15 at 135 was 2 points lower than on January 15 and 8 points higher than on February 15 a year ago. This decline was due largely to the lower prices of cotton and the seasonal declines in butter and eggs which more than offset the slightly higher prices for most of the commodities included in the index. Cotton prices continued their downward trend which started on September 9 until about the middle of February and have so far this season moved as they have in the past in years of similar supply and demand conditions. Apple prices have made their characteristic seasonal advance for a year of very small crop. The recent changes in other farm commodity prices are largely seasonal in character excepting the price of horses, which has advanced more than usual between January and February. Compared with a year ago the prices of cotton, cottonseed, feed grains, apples, beef cattle, lambs, wool and horses are higher, while practically all of the other commodities are lower, the greatest advances over a year ago being shown by cottonseed, apples, cattle and cotton, and greatest declines by potatoes and hogs.

Since the 15th of February prices of cotton, butter, grains, potatoes and lambs have advanced somewhat while prices of cattle, hogs and eggs have declined, indicating that the average of farm prices on March 15 is not materially different from that of February.

Commodity prices at wholesale markets were also lower in February than in January, according to the Annalist Index. The average for January was 148, for February 146, the decline being due to lower farm, food and fuel prices; metal and building material prices advanced slightly.

BUSINESS CONDITIONS

No material changes have taken place in business conditions in February to alter the review of last month when it was indicated that the buying power of industrial consumers this spring was not as high as a year ago. During the past month activity in the automobile and steel industries continued to increase reaching approximately the levels of a year ago, but in spite of this increase in activity in these basic industries the total volume of industrial employment and wage payments continued below that of a year ago.

The distribution of commodities by rail was again below that of a year ago, the decline in February being due to smaller loadings of miscellaneous freight as well as coal. Retail distribution through mail order houses in February was well above that of a year ago and through department stores about 2 per cent above.
Interest rates in February were somewhat firmer, but practically equal to the rates of a year ago, and prices of industrial stocks averaged lower than at the beginning of the year. Loans by Federal Reserve Banks for commercial purposes increased slightly during the month and were only 1 per cent higher than a year ago; while loans on stocks and bonds and investments by these banks were about 12 per cent greater. The one per cent increase in commercial loans reflects the moderate increase in business activity from the recession at the end of 1927 and the greater increase in loans on stocks and bonds, the maintenance of a large volume of speculative activity. According to the Harvard Committee on Economic Research, the lower volume of industrial buying power, the irregular movement of stock prices, the behavior of certain industrial commodity prices and the failure of business activity to show greater improvements than those of January and February are suggestive of a temporary curtailment of manufacturing activity following the present moderate advance which has so far been less than the usual seasonal.

WHEAT

The trend of wheat prices continues upward. The average farm price increased from 115 to 116 cents per bushel between the middle of January and February. The trend of the price of all classes and grades at six markets has been upward since the last of October. By the first of March market prices had recovered to the level of last year, averaging 134 per bushel for the week ending February 24, the same as for the corresponding week of last year.

Each of the classes of wheat shared in the advance of the past month. No. 2 Red Winter at St. Louis advanced to an average of 161 cents the first week in March. 89 cents above the average of the corresponding week last year. No. 1 Amber Durum at Minneapolis after advancing 5 cents, to 133, was still 21 cents below last year. No. 1 Dark Northern at 135 was one cent under and Hard Winter at Kansas City at 135 was the same as last year. The relatively high prices of Soft Red Winter wheat is a strengthening factor in the demand for other flour-wheats. There is, however, no prospect for a material change in the relative price positions of these classes of wheat until the new crops become a factor in the market.

The foreign situation continues favorable for marketing the remainder of our export surplus of Hard Winter and Hard Red Spring wheat. Prices have increased in Continental Europe. Russia remains out of the export market. In comparison with last year the extra surplus in Canada, much of which is low grade, is more than offset by reductions in supplies available from the Southern Hemisphere and the Balkan countries. Furthermore the European crop prospects to date are not very promising as to the new crop. European wheat acreage reported to date is about two per cent greater than last year but winter killing is reported to be extensive in some areas.

In the past two years wheat prices have declined temporarily in the latter half of March again turning upward in April. These declines are largely due to the prospect for or the actual release of large Canad
WHEAT: PRICE OF ALL CLASSES AND GRADES AT SIX MARKETS
1925-26—1927-28

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week ending Friday)

- 1925-26 Crop year
- 1926-27 Crop year
- 1927-28 Crop year

U.S. DEPARTMENT OF AGRICULTURE
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WHEAT: PRICE OF NO. 2 RED WINTER AT ST. LOUIS
1925-26—1927-28

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week ending Friday)

- 1925-26 Crop year
- 1926-27 Crop year
- 1927-28 Crop year

JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE
WHEAT: PRICE OF No. 2 AMBER DURUM AT MINNEAPOLIS
1925-26—1927-28

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week ending Friday)

- 1925-26 Crop year
- 1926-27 Crop year
- 1927-28 Crop year

CENTS PER BUSHEL

JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE

U.S. DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WHEAT: PRICE OF NO.1 DARK NORTHERN SPRING AT MINNEAPOLIS
1925-26—1927-28

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week ending Friday)

1925-26 Crop year
1926-27 Crop year
1927-28 Crop year

CENTS PER BUSHEL

190
180
170
160
150
140
130
120
110

JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE

U.S. DEPARTMENT OF AGRICULTURE

BUREAU OF AGRICULTURAL ECONOMICS
WHEAT: PRICE OF NO. 2 HARD WINTER AT KANSAS CITY
1925-26—1927-28

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week Ending Friday)

- 1925-26 Crop year
- 1926-27 Crop year
- 1927-28 Crop year

U.S. DEPARTMENT OF AGRICULTURE
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supplies by the opening of the Lakes. Last year the temporary decline was followed by a marked rise culminating about the first of June. The situation this year is in many respects similar to a year ago and if prices should decline in the coming months farmers might do well to refrain from selling until the release of the Canadian supplies is no longer a factor in the market.

CORN

Corn prices advanced materially during February and continued at the higher level through the first week in March. The price of all classes and grades of corn at the five principal markets advanced from 78 cents for the week ending February 3 to 87 cents for the week ending February 17 and continued at about this level through the week ending March 9. The price of No. 3 Yellow corn at Chicago advanced from 91 cents on February 6 to 98 cents on February 20 and then remained fairly steady being 98 cents on March 8. The average for February was 95 cents compared with 89 cents for January and 73 cents for February a year ago. The farm price of corn as of February 15 was 79 cents, compared with 75.2 cents in January and 66.5 cents on February 15, 1927.

The disappearance of corn during the first four months of the 1927-28 season was greater than for the same period last year and farm supplies on March 1 were estimated to be somewhat less than a year ago. The stocks of corn on farms March 1, 1928, were reported as being 1,020,000,000 bushels, compared with 1,134,000,000 bushels on March 1, 1927, and the disappearance from the farm from November 1 to March 1 was 1,883,000,000 bushels, while for the same period last year farm disappearance amounted to 1,741,000,000 bushels. The increase in corn consumption is due largely to the greater number of hogs being fed this year. The number of hogs received at 67 markets from November 1 to February 29 this year increased 22.3 per cent or 3,365,000 head over the same period in 1926-27.

Stocks in the twelve Corn Belt States were smaller than a year ago being 675,000,000 bushels, compared with 743,000,000 bushels in 1927 and a five-year average of 751,704,000 bushels. In the western part of the Corn Belt, however, stocks were considerably larger than a year ago, North Dakota, South Dakota, Nebraska and Kansas having 258,444,000 bushels of corn on farms March 1, compared with 80,308,000 bushels for the same period a year ago. The largest decreases in the March 1 supply were in Ohio, Indiana and Illinois. These states reported as having only 172,601,000 bushels on March 1, 1928, compared with 305,787,000 bushels on the same date in 1927, owing to the abnormal distribution of the crop in the Corn Belt, while farm prices in the western part of the Belt on February 15 were only from one to two cents higher than a year ago, in Illinois, Indiana and Ohio prices were from 19 to 22 cents higher. The March 1 distribution of stocks indicates a continuation of this difference in prices.

The merchantable quality of the 1927 crop is estimated to be but little better than the 1926 crop and the amount of corn to be shipped out of county where grown was estimated to be greater than that from the 1926 crop. The per cent of merchantable quality was estimated to be 73.4 per cent thie
year compared with 71.1 per cent last year. Farmers reporting on March 1 indicated that 18.1 per cent of the crop, or approximately 505 million bushels, would be shipped out of the county where grown this year, compared with 16.6 per cent of the 1926 crop, or approximately 447 million bushels. This is a small difference which may have been disposed of already in marketing. The visible supply of corn at the primary markets on March 1 was 6,339,000 bushels less than last year, which leaves the market prospect for corn for the reminder of the season in a more favorable condition than a year ago.

The visible supply of corn at primary markets increased materially during February, being 40,998,000 bushels on March 3, compared with 28,588,000 bushels on January 28. Although receipts in February were larger than in January, the margin of receipts over shipments in February does not account for an increase in the visible supply of 12,440,000 bushels, compared with an increase of only 1,554,000 bushels during the first four weeks of January, and this indicates that there was some slowing up in the takings of supplies from the primary markets in February. This situation ordinarily might have an important effect upon corn prices, but due to the abnormal location of the crop this year, its significance is hard to evaluate.

The European situation continues to be a favorable influence on United States corn prices. Although exports of corn from the United States to date have been somewhat smaller than a year ago, shipments of corn from North America have been nearly 3.4 times as large as in the same period in 1926-27. The total United States exports of corn from November 1, 1926, to March 3, 1927, were 6,716,000 bushels, compared with 7,412,000 bushels for the same period last year, while North American shipments of corn during the same periods were 7,350,000 and 2,179,000 respectively, according to the Price Current Grain Reporter. The decline in United States exports is due to the smaller imports of corn by Canada. The short supply of corn in Argentina has caused Europe to turn to North America for a large portion of its corn supplies and the high level of corn prices in Europe has been a strengthening influence on corn prices in the United States. The new Argentine crop should be available for export in volume the latter part of April but this should have little effect on corn prices in the United States as May future contracts for Argentine corn are only about 15 cents below prices in the United States.

Although the numbers of horses, mules and cattle on farms January 1 were less than a year ago and farmers have indicated a decrease in the number of brood sows being kept to farrow this spring, the larger fall pig crop which is now being prepared for market will probably cause corn requirements for the remainder of the season to be equal to last year. With the smallest farm supplies of corn available on March 1 since 1918, except for March 1, 1926, which followed the unusually small crop of 1924, and with corn requirements about equal to last year and a strong commercial demand for corn, it is likely that the corn market will continue firm for the next month.
Since the recovery from the low point of early February, cotton prices have been relatively stable. The average prices of middling spot cotton at ten important spot markets advanced from the low point of 16.59 cents on February 2 to 18.41 on February 25 and remained at about that level through the first week in March. The average spot price for middling cotton at these markets for February was 17.60 cents, as compared with 18.44 cents for January and 13.45 cents for February, 1927. Prices received by producers declined from 18.60 cents as of January 14 to 17.0 cents as of February 15, which is 5.5 cents above the prices prevailing February 15, 1927.

The world's consumption of American cotton for the first half of the 1927-28 season was 8,226,000 bales, compared with 7,423,000 for the first half of the 1926-27 season and 8,357,000 bales from February 1 to July 31, 1927, according to the report of the International Cotton Federation. According to the Bureau of the Census, the United States consumption of American cotton during the first half of 1927-28 was 3,465,000 bales, compared with 3,284,000 bales for the corresponding period of 1926-27 and 3,599,000 bales for the second half of 1926-27 season. Deducting this from the world consumption given above leaves the foreign consumption of American cotton for the first half of the 1927-28 season at 4,761,000 bales, as compared with 4,139,000 bales for the same period in 1926-27 and 4,758,000 bales for the second half of 1926-27. The record foreign consumption of American cotton for the first half of the 1927-28 season was largely the result of low priced cotton available from the 1926 crop.

Domestic mill consumption for the last three months has fallen below that for the corresponding months last season. According to the Bureau of the Census domestic consumption for February was 573,810 bales, or an average daily consumption of 23,421 bales, compared with a daily consumption of 22,840 bales for January and 24,911 bales for February 1927.

World mill stocks of American cotton were slightly smaller on January 31, 1928, than the year previous but equaled the stocks of January 31, 1926, according to the International Cotton Federation, being 2,867,000 bales on January 31, 1928, compared with 2,982,000 and 2,862,000 bales for the same dates in 1927 and 1926, respectively. Deducting world mill consumption of American cotton of 8.2 million bales from the total 1927-28 supplies left approximately 12.4 million bales of American cotton available on February 1, 1928, compared with approximately 16.2 million bales on the same date in 1927.

World mill stocks of all kinds of cotton on January 31, 1928, were larger than last year, being 4,382,000 bales for January 31, 1928, compared with 4,755,000 for January 31, 1927, according to the Federation. This greater supply is due to the increase in the stocks of
Indian cotton and cotton reported as "sundries," (cotton other than American, Indian and Egyptian).

The domestic stocks of American cotton on March 1 were materially below stocks which prevailed on the same date last year. Up to March 1 of this season exports were 3.1 million bales and domestic consumption 4.2 million bales, the total of which deducted from the indicated supply left an available supply in the United States on March 1 of approximately 7.2 million bales. For the corresponding period in 1927 exports were about 7.5 million bales and consumption 4.0 million bales leaving an available supply for the remainder of the season of about 6.7 million bales.

The cotton textile situation in Continental Europe during January and the first half of February indicated no significant change in the immediate outlook, according to reports received up to February 29 from L. V. Steere, Acting Agricultural Commissioner at Berlin. A few mills in Germany and central Europe appeared to be reducing production to some extent, and in Poland considerable curtailment of operations seemed to be taking place because of overproduction during the closing months of 1927, but the general level of activity was being quite well maintained in most countries and new orders have been about sufficient to enable maintenance of current operating levels. Purchases of American cotton for Soviet Russia as reported by the All-Russian Textile Syndicate for the half year ended January 31, 1928, amounted to 134,000 running bales against 118,900 bales for the same period last year.

Information received to date indicates that cotton production in foreign countries for the 1927-28 season is about the same as for last season. In ten foreign countries reporting for the 1927-28 season, production totals 6,545,000 bales of 478 pounds net weight, as compared with 6,580,000 bales for last season. These countries produced 66 per cent of the foreign cotton crop for last year and include such important producing countries as India, Egypt, Chosen, Mexico and Peru. India's production is considerably larger for this season but this increase has been offset by decreases in production in Egypt and Mexico. World production for all countries reporting to date which last year produced 86 per cent of the world's total, is estimated at 19,334,000 bales against 24,557,000 bales for the same countries last year.

WOOL

Prices of wool in the domestic market continue firm although trading has been rather spotty the past month. Foreign primary markets continue to report keen competition with stocks very light. Domestic imports have been much below the usual level, and stocks are at a low point. The rate of activity in spinning mills increased in January over the previous month, while that of the weaving mills declined.
World wool production for the 1927-28 season is still estimated to be somewhat less than last year, or a decrease of about 4 per cent.

Wool prices continued firm with upward tendencies through February. Boston prices of wool continued firm with little change except 43's, 50's and 56's, which at the beginning of March were about 2 cents higher (scoured basis) than at the beginning of February. On March 10th the price of 56's, strictly combing wool, greased basis, of Ohio and similar, at Boston, was about 52 cents, compared with 51-1/2 cents the week ending February 13. Data as to firm prices in March are not yet available. Farm prices as of February 15 averaged 34.4 cents, compared with 33.2 in January and 31.1 in February, 1927. In quoting these prices, it is recognized that farmers are not selling much actual wool at this time of the year but in some states the quotations may represent contract prices for the spring clip. The average price reported from Texas as of February 15 was 38 cents, compared with 35 in January and 31 in February last year. Montana reports an average of 38 cents, compared with 37 cents in January and 33 in February last year.

The tops market showed a gradual strengthening during the month.

Statistics on consumption in January show a recovery from the slackening of the previous month. Total consumption by reporting mills in January was above December and almost equal to January, 1927. Activity in weaving mills, however, showed some decline in January. The average daily consumption of wool (carpet excluded) by reporting mills in January was 1,461,000 pounds, against 1,292,000 pounds for December and 1,510,000 pounds for January, 1927, as computed from figures reported by the Bureau of the Census. The per cent of total hours active on the basis of maximum single-shift capacity for wide looms in January was 62.4, in December 63.3, for narrow looms in January 51.8, in December 57.4, according to the Bureau of the Census.

Imports of combing and clothing wool for January were less than for any January since 1915, with the exception of January, 1922, according to reports from the Department of Commerce. Imports of combing and clothing wool at Boston, Philadelphia and New York for the period February 4 to March 3 were 10,030,000 pounds, as compared with 14,347,000 pounds for the corresponding period last year.

Stocks of foreign combing and clothing wool in bond at Boston on February 27 were 18,117,000 pounds, as compared with 14,937,000 pounds on January 31, 31,651,000 pounds at the same time a year ago, and 49,853,000 on February 28, 1926, according to Department of Commerce reports.

Wool prices in Argentina remained firm during February, according to a cable from Commercial Attaché D'e in "Commerce Reports." Stocks
at the Central Produce Markets at Buenos Aires on February 1, 1928, were 3,386,000 pounds, as compared with 6,585,000 pounds on February 1, 1927, according to the "Review of the River Plate." Sydney, Australia, reports that the season's record prices to date for some grades of wool were reached in the sales of March 3, according to a cablegram received from Consul General Lawton. Stocks in store as reported by the National Council of Wool Selling Brokers were 182,000,000 pounds on January 31, or 24 per cent less than a year ago.

The market at Bradford for tops continues firm with the tendency against the buyer, according to a cablegram received March 9 from Consul Thompson at Bradford. Prices of tops 64's were at about the same level as the previous week, but 50's carded were slightly lower. Local unemployment figures as of February 20 indicated improvement in the industry, the total wholly or temporarily unemployed being 7,465 on February 20, as compared with 9,133 on January 23.

At the second series of the London Wool Sales opening March 13 prices were generally above the previous series according to a cablegram received by the Foreign Service of the Bureau of Agricultural Economics from Agricultural Commissioner Foley. As compared with the closing rates of the previous series the finest merinos were about on a par, other merinos 5 per cent higher; fine crossbreds 5 per cent higher; other crossbreds 10 per cent higher; slippets crossbreds 10 to 15 per cent higher and capes all classes were 5 per cent higher.
Receipts during February continued to increase, contrary to the usual seasonal change. This bore out the possibility mentioned in our statement two months ago, that heavier receipts might be still to come. For the month, receipts at 67 principal markets averaged 5 per cent more in numbers than during January, and 59 per cent more than during February of last year.

Prices of hogs remained low through the month, with little change in average cost but slight further declines in heavy hogs. The average cost of $8.09 to packers and shippers at Chicago compares with $8.26 for January and $11.73 for February last year, with the average for heavy hogs, at $7.93, falling below the general average. Large receipts of heavy hogs at southwestern markets, where average weights have been running above last year, have depressed heavy hog prices even though weights at Chicago are running much the same as a year ago.

Wholesale prices of pork and pork products showed little change during the month, most fresh cuts having slight declines while cured products except lard and backs were practically unchanged, and those two declined to some extent. This reflects the unusual continuance of heavy supplies, as wholesale prices are usually advancing during February, especially for fresh cuts.

Foreign markets were firmer in February than in January, hog prices at Berlin turning upward and Danish Wiltshire sides at Liverpool holding about unchanged. Hogs averaged $11.58 for the month at Berlin, which is just a trifle more than $2.00 lower than last February.

Export movement seems to have been somewhat stimulated by our low prices, exports of bacon and lard being 13 and 19 per cent more, respectively, during January than for January of last year. This is not so much increase as would usually follow from the much lower prices, however, indicating that export demand is still remaining lower than a year ago.

With foreign demand continuing low, and the indications from the pig surveys that hog supplies will continue above last year, the seasonal advance in hog prices, which usually starts in January and reaches its peak in March or April, is very late this year.

CATTLE

Slaughter cattle prices during February showed a general tendency to decline and the market showed some weakness, compared with the previous month. The better grades of beef steers showed the largest price declines, from 75 cents to $1.50 below the beginning of February.
Compared with the last week of November, 1927, when the average price of choice steers at Chicago reached the highest point since 1920, the average price of choice steers has declined about $2.50 and of good steers, $1.20; on the other hand, the average prices of common and medium beef steers and of all other kinds of cattle have increased. Usually the price spread between the better and lower grades narrows during March, April and May. This narrowing usually results from a decline in the better grades and an advance in the lower. The present situation indicates such a seasonal movement this year.

Receipts of cattle at seven leading markets in February, 1928, were only about 4 per cent smaller than in February, 1927, and 4 per cent below the five year average. Receipts at these seven markets this year, however, are not as dependable indicators of cattle supplies as they usually are. Because of the shortage of cattle supplies east of the Mississippi River, there has been a much greater inter-market movement of cattle from the Missouri River markets to Chicago than usual, with resulting duplication in count; also receipts at the River markets are above last year while at nearly all other markets they are below.

Market supplies and slaughter will probably continue below the corresponding month of 1927 at least until July with total slaughter for the period the smallest since 1922.

**LAMBS**

In face of supplies at seven leading markets above February last year, and an indicated slaughter the largest for February since 1914, the lamb market continued the advance started toward the end of January. At the high point prices at Chicago were over $3.00 a hundredweight higher than at the low point in January and the February average this year was around $1.50 above February, 1927. With some fluctuations the market held at that level into the second week in March with top lambs at Chicago reaching $1.75. The price spread between light and heavy weight lambs tended to widen and the supply of lambs averaging under 90 pounds was very limited.

Developments in the spring lamb situation tended to favor the lamb feeders. Lack of rain in some sections and unfavorable weather in others, held back the development of the early lambs and promised to delay for several weeks the movement in volume of early lambs. Unfavorable feed conditions during the winter in Texas, also promised to delay the movement of grass fat sheep and yearlings from that State. Instead of a heavy combined movement of fed lambs, spring lambs, and grass sheep in April as seemed probable two months ago, it now seems likely that the marketing of fed lambs will be well over before the heavy movement of the other lambs gets under way.
Receipts at the five principal markets continued to run heavier than last year through the first half of February, and prices declined four cents by the middle of the month. Weekly receipts at five markets in February averaged 2.5 per cent larger than in January, while the average price for February of 46.9 cents as compared with 51.2 cents a year ago, was 5 per cent lower than in January, and 10.5 per cent lower than in December. This is in line with the usual seasonal change.

The higher prices for fresh butter toward the end of the month stimulated consumption of storage butter, with the result that we are approaching the beginning of the new season with storage stocks no greater than usual. On March 1 stocks in storage were but 50 per cent of the average for the last five years. This is the more remarkable in view of the fact that stocks September 1 were the highest on record, and 4.2 per cent above those on September 1, 1924, when butter prices stayed low through the whole winter.

Foreign competition has become less threatening, dry weather in New Zealand and Australia checking the output. Foreign prices advanced throughout the month, effectually stopping imports. By the beginning of March Danish butter at London was selling within five cents of New York, compared with a 10-cent margin at the beginning of February, and 12 cents at the beginning of January.

Butter prices ordinarily advance slightly from February to March, decline somewhat in April and further in May, reaching a low point in June with a monthly average about 15 per cent lower than in March.

After the middle of February receipts were reduced and prices advanced steadily, averaging 48.8 cents for the first week of March, or more than for any week since the middle of January. Such a marked advance is unusual at this time of the year. For the week of February 27 - March 3, receipts were just barely above those of the corresponding week last year. This decline in receipts may indicate that the relatively heavy production up to the middle of February has fallen off, and that for the rest of the winter supplies will more nearly resemble those of last year.