For release July 16, 1928

THE PRICE SITUATION, JULY, 1928

FARM PRICES

Farm prices on June 15 were about 2 per cent lower than on May 15, and about 12 per cent higher than a year ago. The index for June averaged 145 compared with 148 in May and 130 a year ago. The reduction in June was due largely to lower prices of cotton, wheat, rye, potatoes and butter, with other prices not materially different from those prevailing in May. The advance in the present average of prices over those of a year ago is the result of higher prices for most products, except hay and potatoes. Since June 15 the outstanding price changes have been further declines in wheat and potatoes, a recovery in cotton prices by the first week of July, partly lost during the second week, and higher corn and livestock prices.

Compared with prices received by farmers which averaged 145 per cent of the pre-war level, retail prices paid by farmers for commodities used for production and in the farm home averaged about 155 per cent, as indicated by the new index of retail prices paid by farmers computed by the Department of Agriculture. At these prices the purchasing power of farm products in exchange for commodities bought is about 93 per cent of their pre-war purchasing power. This compared with 95 last month and 82 last year.

THE GENERAL COMMODITY PRICE LEVEL

The general average of wholesale commodity prices was somewhat lower in June than in May due almost wholly to lower prices of farm and textile products. According to the Annalist Index (1913 = 100) the average for June was 149.4 compared with the high point of 151.5 reached in May and 141.5 a year ago. Prices of farm products at the wholesale markets declined from 158.4 in May to 151.7 in June.

During the first half of 1928 there has been an increase in non-agricultural prices when compared with prices of a year ago. This movement in nonagricultural prices appears to have been such as in the past marked the termination of periods of business recession, or the beginning of periods of recovery.

BUSINESS CONDITIONS

During the past two months general business activity appears to have been maintained at approximately the level reached after the moderate recovery which took place during the first three months of this year.
The production of pig iron was somewhat lower in June than in May and somewhat below that of last year. Steel production also was considerably lower in June but higher than a year ago. Automobile production appears to have been maintained at approximately last year's level during the past three months. In the building industry contracts awarded in 37 States reached a record volume in May but were somewhat below last year's level during June.

The volume of distribution of goods by railroads during June has continued slightly below that of a year ago. Practically all classes of commodities except forest products showed a smaller volume of loadings during the last part of June than for the same period in 1927. For the next three months railroads may handle about 6% more freight than during the same period a year ago, as indicated by reports to the Bureau of Railway Economics. Wholesale and retail trade, however, in June exceeded the values of business done a year ago. Mail order sales showed a considerable increase.

The general industrial situation as reflected in factory employment and payrolls appears to be about five per cent lower than a year ago as indicated by the Bureau of Labor Statistics indexes of payrolls which were 90.1 in May, compared with 95.6 in May, 1927. Since January there has been an advance of about four points, largely seasonal, and some seasonal decline may be expected for July and August. But the general business situation during the last half of 1928 is likely to be as good as or somewhat better than the first half.

Interest rates have continued to advance. Following advancing market rates during June the Federal Reserve Banks of Chicago and Richmond have raised their rediscount rate to five per cent. The recent advances have been attributed to a reduction in bank reserves due to gold exports and to the desire to check the enormous volume of security speculation, and not to an over extended business situation.

WHEAT

Wheat prices continued to decline through June, but ended the season slightly above the level at the end of last season. Farm prices dropped from 144 cents per bushel to 132 cents in June, as compared with 130 cents in June, 1927. The average price of all classes and grades at six markets dropped from 146 cents for the week ending June 1 to 141 cents for the week ending June 29, which was three cents above the average for the corresponding week last year.

Prices of all classes of wheat declined, the greatest declines being registered in the winter wheat markets. No. 2 Hard Red Winter at Kansas City dropped from an average of 155 cents for the week ending June 1 to 145 cents the week ending June 29, and No. 2 Red Winter at St. Louis dropped from 185 cents for the week ending June 8 to 172 cents. In the meantime No. 1 Dark Northern Spring had dropped from 161 cents to 152 cents and No. 2 Amber Durum at Minneapolis from 136 cents
to 127 cents. In comparison with last year No. 2 Red Winter at St. Louis ended the season 25 cents higher, No. 2 Hard Winter at Kansas City 5 cents higher, whereas No. 1 Dark Northern Spring was 1 cent below and No. 2 Amber Durum 24 cents below the average for the corresponding week at the end of last season.

Wheat prices continued to decline through the first two weeks of July, the cash close of September futures at Chicago declining from about 141 June 30 to 132 July 11.

Reports as to areas and conditions of the wheat crop in several countries to date indicate the world's wheat harvest for the 1927-28 marketing season may be not very different from that of the 1926-27 season. Forecasts and estimates of crops in 16 countries of the Northern Hemisphere to date amount to 1,886 million bushels, as compared with 2,041 millions produced in the same countries last year, which was 59% of the estimated production of the world exclusive of Russia and China. Canada reports a four per cent increase in area and conditions better than at this time last year, but the actual outturn of the crop still depends largely upon weather conditions for the remainder of the season. Present prospects are that the wheat crop of Europe will be about equal to last year, as larger crops in Italy and the Balkan countries promise to offset reductions in France, Germany and Poland. Information as to the prospects for production in Russia are not very definite but it appears that Russia is not likely to produce an exportable surplus for this year. An increase in the North African crop is offset by the reduction in India. Taking into account the prospects of a reduction in the United States crop, a careful analysis of all available data suggests that the Northern Hemisphere crop may be somewhat less than last year. The reduction in the Northern Hemisphere crop, however, might be offset by a better crop in Australia which last year suffered from drought, making a total world's production for the season about the same as that for last season.

The world's stocks of old wheat as of July 1 accounted for to date are slightly larger than a year ago. Adding together farm stocks in the United States, Bradstreet's reports of visible supplies in the United States, Canada, United Kingdom, port stocks and afloat, and the computed supplies still available for export in Argentina and Australia account for 280 million bushels, as compared with 256 million bushels in the same positions last year. This difference may be slightly reduced by the mill and elevator stocks in the United States which may be somewhat smaller than last year. The Argentine and Australian figures are also subject to revision with additional information. European stocks are reported to be low but we have no definite measure of them and can only say that the accounted for increase in stocks is so small as to be of little significance.

All available information at present points to a world's supply of wheat for the 1928-29 marketing season very little different from that of the 1927-28 season. Although it is too early to take into
account the quality factor in this year's supply, it should be observed that the poor quality of the French, German and Canadian crops was an important factor in the market last year. Should the crop now being harvested turn out to be of higher quality than last year this would have the effect of an increase in supply.

The demand for the crop of 1928-29 should be somewhat greater than for last year by at least the increase in population to be fed. In addition to the increase in population there is a tendency for consumers of other bread grains to shift to wheat. The prospects for the rye crop in the United States and Europe are not so good as last year.

The Soft Red Winter wheat in the United States will not be sufficient to meet our usual domestic requirements. Farmers should not dump the new crop upon a falling market early in the season. They should remember last year's experience, when prices fell to relatively low points during the early marketing season then rose to high points at the end of the season after some of our Soft Red Winter wheat had been exported. Although the highest prices paid during the past year may not be reached this year, the price level for the year should work out equal to or above the average for the past year.

Hard Red Spring wheat producers are also in a favorable situation and unless the crop turns out to be larger than now estimated can expect a market for their wheat somewhat above that of the world market price level for a part of the year at least.

Even though the supply of Hard Red Winter wheat is more than sufficient to meet our usual domestic requirements, farmers should observe the fact that the world's prospective supply at the present time is not any greater than it was last year and that the demand for wheat should be equal to or greater than last year. The weekly average price of No. 2 Hard Winter wheat at Kansas City started last season at 140 cents, fell to 125 cents in October, then rose to 169 cents for the first week in May and ended the season at 145 cents. The Hard Red Winter wheat producers should not dump their crop at low price level.

CORN

The farm price of corn on June 15 was practically unchanged from a month earlier. Prices received by producers on June 15 were reported to be 102.2 cents compared with 102.5 on May 15 and 88.9 on June 15, 1927. The price of No. 3 yellow at Chicago, however, declined somewhat during June, averaging 103 cents for the month compared with 108 cents for May and 99 cents for June a year ago.

The report of the Division of Crop and Livestock Estimates on July 10 estimated the total area in corn at 102,380,000 acres, compared with 98,368,000 acres harvested last year, an increase of about 3.6 percent. Nearly all of the increase has taken place in the group of States
extending from Ohio and Kentucky west to Kansas. This increase in acreage in the eastern half of the Corn Belt points toward a more even distribution of the crop in 1928 than for 1927.

The condition of corn on July 1 was 78.1 per cent of normal, compared with a ten-year average of 82.6 per cent. This condition indicates a yield per acre of 26.7 bushels, or a total production of 2,736 million bushels, compared with 2,786 million bushels harvested in 1927 and 2,752 million bushels for the five-year average.

The low condition this year is largely due to the excessive rainfall and low temperature during June in most areas. According to the report of the Weather Bureau for the week ending July 10 conditions in most areas were more favorable for the corn crop than those which prevailed during June.

The demand for corn continued firm during June. Commercial stocks of corn in 39 primary markets decreased from 27,535,000 bushels on June 2 to 17,692,000 bushels on June 30, while during the same period last year stocks increased from 31,715,000 bushels to 36,514,000 bushels. On June 30 this year stocks were less than half as much as a year ago and were at the lowest on that date for any year since 1925.

The June 1 pig survey of the Department of Agriculture shows a decrease of about 7 per cent in the spring crop of 1928 from that of 1927 and reports of the number of sows bred or to be bred for farrowing in the fall if 1928 point to a decrease from last year in the fall pig crop. Assuming the average spread of past years between June breeding intentions and the report of the farrowing in December, the decrease in the fall pig crop this year would be 15 per cent. Should these intentions be carried out, the demand for corn for feed during the 1928-29 crop year will be somewhat less than during the 1927-28 season.

Should the active demand for corn which has prevailed during the last two months continue, it is likely that prices will remain firm until the size of the new crop is more definitely known. The supply of feed grains on farms is somewhat below a year ago, especially in the eastern part of the Corn Belt, and commercial stocks are considerably lower. Should the large increase in burley acreage this year be accompanied by fair yields, it is possible that burley will be substituted to some extent for corn until the new crop becomes available. But even with this addition to the supply of feed grain it is not likely that corn prices will decline materially before the new crop becomes an important factor in the market.

OATS

Oat prices during the past five months (February to June) have been higher than during the corresponding period in any year since 1920. These higher prices have been largely due to the small crop in
1927, the poor quality of the crop, the high level of corn prices, and the short feed crops in Europe. During June the price of No. 3 white oats at Chicago averaged 69 cents which was the highest monthly average price since August 1920.

Recent studies of oats prices have shown that the principal factors in determining the price of oats are the supplies available in the United States and Canada, the price of substitute feeds, especially corn, and the general price level. Stocks of oats in 39 primary markets on June 30 were only 3,334,000 bushels, compared with 17,689,000 bushels on the same date a year ago. Receipts during the past two months have been light which would indicate that farm stocks are also unusually low. The principal source of supply for the coming year, therefore, is the oat crop now being harvested. Conditions as of July 1 indicated a crop of 1,320 million bushels, according to reports received by the Division of Crop and Livestock Estimates. This compares with a crop of 1,195 million for 1927 and a five year average production of 1,348,000,000 bushels for 1927 and a five year average. Present conditions indicate that the supply of substitute feed grains will be about equal to that of a year ago.

The short feed supplies in Europe during the 1927-28 season also had an indirect effect upon oat prices last year. The higher prices of feed grains and commercial feeds which prevailed in Europe were a strengthening factor in determining feed prices in the United States. Whether or not this situation will continue is still uncertain.

The level of oats prices during the coming season will be determined somewhat by the size of the feed crops in Europe and the size of the Canadian oats crop. Should the more favorable conditions in these countries continue and the present prospects for the oats, corn and barley crops of the United States materialize it is likely that the general level of oats prices during the coming season will be somewhat lower than that of the 1927-28 season, with about the usual seasonal advance in prices.

COTTON

After holding relatively steady for about two months, cotton prices rose during the last half of June, middling spot cotton averaging 22.57 cents per pound at the ten designated markets on June 30. The price received by producers on June 15 averaged 19.7 cents per pound compared with 20.1 cents on May 15 and 14.8 cents on June 15, 1927. The middling spot price at the ten designated markets averaged 20.82 cents for June and 20.53 cents for May, compared with 16.10 cents for June last year and a 5 year average of 23.08 cents per pound.
The Crop Reporting Board estimated that there were 46,635,000 acres of cotton in cultivation on July 1. This was 11.4 per cent greater than in 1927, but 4.2 per cent less than in 1926.

Weekly bulletins of the Weather Bureau up to July 3 indicated that the cotton crop was generally late and in need of continued hot, dry weather over most of the belt. The bulletin of July 10 reports that temperatures for the intervening week averaged somewhat above normal and that rainfall was mostly light to moderate except in parts of the East.

It should be observed that farmers have again based their cotton acreage on the price received for the previous year's crop. The usual relationship between December prices and the following year's acreage, as calculated in December 1927, indicated an increase in acreage for 1928 of about 11 per cent.

The apparent supply of domestic cotton in the United States on June 30 was 3.0 million bales, compared with 4.2 million last year and a five year average of 2.8 million bales for the close of June. Stocks of American cotton in European ports and afloat for Europe were 1.6 million bales on June 29, compared with 2.3 million last year and 1.1 million two years ago, according to the Commercial and Financial Chronicle. At the end of June there remained in stocks approximately 4.6 million bales of American cotton exclusive of stocks at European mills, in the Orient, and in Canada.

Domestic consumption of all cotton for the eleven months ending June 30, 1928, was 6.4 million bales, compared with 6.6 million and 6.0 million during similar periods in 1927 and 1926. For the month of June consumption was 511 thousand bales against 578 thousand for May and 660 thousand for June last year.

Exports for the season to date have been less than for 1927 or 1926. For the eleven months ending June 30, 1928, they were 7.2 million bales compared with 10.6 and 7.7 million, respectively, during the two previous periods. During June, 1928, exports of lint cotton totaled 444 thousand bales, compared with 378 thousand in May and 463 thousand bales in June, 1927.

Developments in the foreign textile markets are about the same as have been indicated for several months. Reports from Acting Agricultural Commissioner Steere at Berlin show that the peak of activity in the cotton mills of Germany and central Europe has been passed but indications are that production may be stabilized at not much below current levels. Conditions in the French cotton industry were again favorable but in Great Britain and Japan the unsatisfactory conditions of the past year continue.
WOOL

Wool prices at Boston during the past month have continued firm with little change. The upward tendency during the months of April and May was checked by the marked decline in the number of sales and inquiries for wool during June. Trading continued irregular in wool and tops during the early part of July, and volume of sales on new graded Western grown wools was light. The average price received by producers on June 15 was 38.7 cents, compared with 37.0 cents on May 15, and 30.2 cents and 31.4 cents on June 15, 1927 and 1926. Wool prices in Boston week ending July 7th were reported about the same as the week ending June 2.

The market for wool textiles at Bradford has been similar to the domestic raw wool market, i.e., limited business but firm prices. Top makers were offering firm resistance to low offers and maintained definite limits below which they would not sell.

The fourth series of the London Wool Sales opened on July 10 with prices of greasy wools, including Capes and Punta Arenas, generally equal to the highest rates of the May series. Scoured merinos, capes, and alpaca crossbreds are about par to five per cent below the closing rates of the previous series.

Domestic imports have not shown any tendency to increase. Imports of combing and clothing wool during May were slightly above last year, only a little more than half as much as the average for May, 1923-27. The reduction from April was approximately the same as the seasonal movement in past years. For the four weeks ending June 30 imports of combing and clothing wool at three principal ports were 4,589,000 pounds, against 3,256,000 for the same time last year.

Consumption of wool in reporting mills declined 13 per cent from April to May when there is no usual seasonal decline. Domestic consumption of combing and clothing wool by reporting mills for May was 32,039,000 pounds (grease equivalent) or about one million pounds below May last year, but slightly above the five year average for May, 1923-27.

Conditions in most wool producing countries have not changed to any great extent since our last report. The seasons in most countries are favorable and those countries of the Southern Hemisphere which suffered from drought last year have mostly recovered so that prospects for the coming season are for a larger production than in the season which has just closed. The Australian wool production for the season July 1, 1928 to June 30, 1929 is forecasted at 900,000,000 pounds, according to cable to the Foreign Service of the Bureau of Agricultural Economics from Consul General Garrels, Melbourne, quoting a semi-official source. This estimate contains 815 million shorn wool, 35 million pulled, and 50 million to be exported on the skins. If the final outturn agrees with this forecast, made at the beginning of the season, the 1928-29 production will be somewhat larger than that for 1927-28 and approximately as large as that of 1925-27.
HOGS

The hog market showed considerable strength throughout June, and a top price of $11,60 was recorded at Chicago during the first week in July, the highest price paid since last November. The price trend was the reverse of that of a year ago when values were declining sharply under increased receipts and a decreasing export and domestic demand. The June average cost of packer and shipper dressed at Chicago was $9.91 compared with $8.78 in May, $8.78 in June, 1927 and $14.01 in June 1926, the peak month of the last hog price cycle. Apparently the upward movement in the new price cycle is now under way.

Receipts of hogs at 67 public markets in June were 6 per cent less than in June a year ago and local slaughter was 10 per cent less. All important markets showed decreases except the Missouri River markets. During the first half of the month receipts were generally greater than in the corresponding weeks of 1927, but there was a sharp falling off in supplies towards the end of the month and this reduction was accompanied by rather sharp price advances. The inspected slaughter figures for June are expected to show a decrease in number of hogs slaughtered of around 8 per cent compared with June 1927. Because of the increased proportion of unfinished hogs in market receipts average weights were about 5 pounds less than a year ago and the actual supply of pork produced was not as large as indicated by the number of hogs marketed.

Storage stocks of pork on July 1 were slightly less than on June 1 but were 8 per cent larger than on July 1, 1927 and 15 per cent larger than the five year average. Stocks of lard were 46 per cent larger than a year ago and 55 per cent larger than the five year average.

Exports of pork products in May were 2 per cent less than for April but were 4 per cent greater than those of May 1927. Exports of lard were only slightly less than in April and 12 per cent less than in May of last year.

The June pig survey showed a reduction of 7 per cent in the number of pigs saved this past spring compared with the spring crop of 1927, the per cent of decreases being practically the same for both the Corn Belt and the States outside of the Corn Belt.

While available evidence regarding prospective market supplies of hogs during the summer and early fall is rather conflicting there is reasons to believe that supplies will not be greatly different from last year. In view of the fact that the summer advance in hog prices this year started earlier than usual and prices are now $2.70 or 34 per cent above the winter low it is probable that the peak of this seasonal advance which usually occurs in September or October will be reached in July or August. The usual fall decline from this advance is expected to be considerably less than in the fall of 1927.
LAMBS

Lamb prices made their usual seasonal decline during June and at the close of the month were from $2.50 to $3.00 a hundred lower than at the beginning. The greater part of the decline took place in the first week, and continued into the following week. During the third week, supplies were sharply curtailed and prices recovered somewhat, but declined to the low point of the month during the last week when supplies again expanded. Sheep prices also declined continuously during the month.

Although receipts of sheep and lambs at seven leading markets were 5 percent larger than in June, 1927, and inspected slaughter is indicated at near the largest on record for the month, lamb prices during June this year were higher than in June last. The top price on killing lambs in June this year at Chicago did not go below $16.40 while last year it went to $14.75. A part of this difference represents higher pelt values this year than last but it also points to a better consumer demand for lamb than in June last year. This better demand is probably due to higher prices than last year on competitive meats, especially veal.

The seasonal decline in lamb prices usually reaches the low point in the latter part of July and prices remain relatively stable during the period of fall movement.
CATTLE

Prices on nearly all kinds and grades of cattle advanced during the month, bringing the average on kinds other than the better grades of fed steers to the highest point since 1920. If allowance is made for changes in the purchasing power of the dollar, lower grade cattle of all kinds selling at the highest level on record.

Usually there is a seasonal decline in prices for lower grade cattle in May and June due both to increasing numbers and to the poorer quality of the carcass resulting from a soft grass diet. Except for a decline in the second week in June, which was regained the following week, no decline took place to the end of June. Also the seasonal rise in stocker and feeder cattle prices which takes place in June failed to develop this year.

Prices on the better grades of fed steers were only steady to strong during the first three weeks of June but during the last week of the month, a sharp advance took place which carried average price choice cattle to the highest point since the middle of March. This advance continued into the first week in July and for the top weeks of June, reaching nearly $1.50 a hundred on some kinds.

The premium on heavy steers which had largely disappeared during the preceding two months was again established and trade opinion is that this premium will continue until the end of the year.

Receipts of cattle at seven leading markets were 14 per cent smaller in June, 1927. While receipts of beef steers at Chicago were 24 per cent smaller than in June, 1927, the supply of choice steers was 43 per cent larger. The supply of grass cattle at all markets was unseasonally large in part to rather unfavorable pasture conditions in many of the Central States this spring.

While the trend of cattle prices during the next few months will largely upon supplies it hardly seems likely that the seasonal decline on grass cattle will fail to develop because of lack of supplies. Decline, however, may be less marked than usual. The seasonal rise on grain finished cattle which seems to be now under way will probably continue with the peak largely depending upon the comparative sizes of cattle remaining in feed lots about August 1.
The butter price situation during June was characterized by unusually low receipts and the highest prices for any June since 1920. Receipts of butter at the five principal markets continued below receipts of a year ago for the third successive month, being only 91 per cent of June, 1927 and 90 per cent of the five-year average for June. Production of creamery butter during May also continued below a year ago being estimated at 8.5 per cent below May, 1927.

Butter prices during the past three months have not made the usual seasonal decline due to the falling off in receipts at the primary markets. Although the price of 92 score butter at New York during June averaged 44.1 cents, compared with 44.9 cents in May and 42.5 cents for June a year ago, by July 3 the price had advanced to 45 cents which equalled the average of prices at that market during April. The usual seasonal decline from April to July is about 2-1/2 cents. The price received by producers for butter fat was also higher than a year ago being 43.5 cents on June 15 as compared with 44.4 cents on May 15 and 40.8 cents on June 15, 1927.

Poor pasture conditions have been largely responsible for the unusually low receipts during the past three months. Pasture conditions improved greatly during June. The conditions on July 1 were 84.4 per cent of normal, compared with 78.6 per cent on June 1, 92.8 per cent a year ago and the ten year average of 85.9 per cent. The improvement was fairly general for the United States, except in Minnesota, Wisconsin and South Dakota where conditions on July 1 were poorer and on June 1 in Iowa where conditions were about equal to those of a month earlier.

Cold storage holdings on July 1 were materially below those of a year ago and somewhat below the five year average. Cold storage holdings on July 1 were 69,343,000 pounds, compared with 89,996,000 pounds the same date last year, and the five year average of 75,506,000 pounds for July 1.

The foreign butter situation continues firm. The European butter markets have begun to receive heavier supplies from nearby producing areas, but the delayed season had prevented the accumulation of burdensome supplies. The Copenhagen quotation on June 26 was steady at the equivalent of 35-1/4 cents, and nearly 3 cents above that of a year ago.

Pasture conditions will be the dominant factor in the butter price situation during the next few months. With pasture conditions in the three principal producing States, Minnesota, Wisconsin and Iowa, showing little improvement during June, and materially below conditions of a year ago, it is not likely that receipts during July and August will equal the receipts of last year when conditions were unusually favorable for heavy butter production. This, together with cold storage holdings materially below a year ago and foreign markets continuing firm, makes it appear likely that butter prices have reached the low point of the 1928 season and that the present firmness of the butter market will be maintained.
WHEAT: PRICE OF NO. 2 RED WINTER AT ST. LOUIS
1925-26—1928-29

WEIGHTED WEEKLY AVERAGE CASH PRICES
(Week ending Friday)

- 1925-26 Crop year
- 1926-27 Crop year
- 1927-28 Crop year
- 1928-29 Crop year

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