The index of farm prices on August 15 at 139 was 6 points lower than on July 15 and 7 points higher than the index of a year ago. This recession was caused by a general decline in prices of crops which more than offset higher prices of livestock and livestock products. The major decline occurred in wheat, rye, barley, oats, apples and cotton. For the most part these declines represent adjustments toward lower price levels for the season induced by considerably greater production, as in the case of wheat, potatoes and apples; or indications of increased production, as in the case of food grains. Prices of cattle and hogs were again higher than in the preceding month as a result of smaller market supplies. Sheep and lamb prices declined somewhat. The farm price of both butter and eggs made less than the usual seasonal advance. Further declines in crop prices have taken place since August 15. Although these lower crop prices will be offset by seasonally higher dairy and poultry prices, it is unlikely that the general average of farm prices during the next few weeks will recover the recent declines.

The decrease in the average of prices received from 145 to 139 on August 15 compared with the index of prices paid by farmers of 156 has reduced the relative exchange value of farm products from 93 to 89.

The general commodity price level

Prices at wholesale markets have advanced during the past few weeks to the high level of last May. The Annalist all commodity index (1913 = 100) advanced from 149.8 on August 7 to 152.6 on September 4, compared with 151.5 for May and 147.2 September 6, a year ago. Although farm and food prices are mainly responsible for the higher general average when compared with prices in recent weeks and a year ago, non-agricultural prices have also advanced the moderately both with respect to recent prices and those of last year. All major groups of wholesale prices are now somewhat above last year's price levels except textiles. With the present level of agricultural prices below that of recent months it would take a considerable rise in nonagricultural prices in the near future to raise the general average of commodity prices above the levels of May - June - July.

Business conditions

The outstanding features in the August business situation from data now available, appear to have been further increases in automobile, iron and steel production, reduction in building contracts awarded, in car loadings, and retail sales, continued low textile mill activity, rising interest rates and further advances in industrial stock prices.
On the whole it is probable that business activity in August was not materially different from that which has prevailed in recent months.

Building activity during August was considerably below that of July as was the case last year, but the decline this year has apparently brought the volume of contracts awarded below that of a year ago when the building industry was less active than in 1925 and 1926. The present reduced volume of contracts awarded is being attributed to the higher level of interest rates.

The volume of freight car loadings which in July finally exceeded the preceding year's level increased in August but was below the preceding year's loadings during the last part of the month. This reduction, however, was mainly in coal, grains and livestock. A reduction in retail trade of about 5 per cent in August from August, 1927, about offsets the corresponding increase of 3 per cent of July over July, 1927. Mail order house sales again showed a substantial increase over comparable sales of 1927. Payroll data for August are not yet available to indicate the effect of these changes in business conditions on the buying power of consumers, but the high rate of automobile production and iron and steel operations indicate that factory payrolls made at least a part of the usual seasonal rise in August. In July the Bureau of Labor index of payrolls at 87 was only 2 points under that of a year ago compared with about 6 points earlier in the year.

The financial situation continues to be dominated by rising interest rates and apprehension as to the possible reaction of firm money rates on business activity through its adverse effects on such industries as the construction and other allied industries and the reduction in capital for new enterprises. The effects of the recent advances in interest rates are already seen by some in the lower volume of contracts awarded and in the considerable reduction in new securities floated during August. Despite rising interest rates, industrial stock prices have again risen, making new records by the first week in September, as shown by the Dow-Jones index.

**WHEAT**

Wheat prices generally reached low levels in August and then rose slightly. By the middle of August farm prices had dropped to 95 cents per bushel from an average of 118 cents in July and 132 in June. The price of all classes and grades at six principal markets dropped from an average of 118 cents for the week ending August 3 to 108 the next week, and remained at this level until the last week in the month when it rose to 110.5 cents per bushel.

The prices of all classes followed about the same course excepting that of soft red winter which began to recover in the second week of August and by the end of the month had recovered to the level of the beginning of the month. The price of No. 2 red winter wheat at St. Louis for the last week of August averaged one cent above that of the corresponding week of last year. This bears out the statement made in June
that the supply of soft red winter wheat was so small that the price level for this season was likely to be near to last year's price level.

The world wheat supply prospects continue about the same as a month ago. Forecasts and estimates of crops in 29 countries of the Northern Hemisphere total about 3,188 million bushels, as compared with about 2,987 million bushels produced in the same countries last year. These counties last year accounted for 84 per cent of the estimated production of the world exclusive of Russia and China. Southern Hemisphere crops are still to be determined. Conditions have been favorable for seeding and prospects for the crops to date appear to be as good or better than at this time last year. Both Argentina and Australia have increased areas. Reports indicate that the Australian crop is now in need of rain. Considering the carryover and the increased production in the Northern Hemisphere, average yields in the Southern Hemisphere would provide a world supply of wheat, outside of Russia and China, about 4 per cent larger than the supply available for last season.

The prospective increase in the world's supply of wheat outside of Russia and China may be offset to some extent by the short wheat and rye crops in Russia, short corn crops in the Balkan countries and smaller potato crops in Northern Europe. Although some European countries have reported better rye crops, the total of estimates received to date still indicates a comparatively short crop. The European rye crop was so short last year as to be a strengthening factor in the wheat price situation. Forecasts and estimates of rye production in 19 countries including the United States total 324 million bushels as compared with 270 million bushels produced in the same countries last year. The Russian rye crop is reported to be considerably less than last year.

The September forecast of production in the United States indicates an addition of 10 million bushels to the spring wheat crop. The forecasts of both the durum and hard red spring wheat crops were increased. Reductions in the estimates of the crops of North Africa have slightly improved the outlook for durum. The hard red spring wheat is facing competition from the Canadian spring wheats in the world markets.

It seems likely that wheat prices in general will hold near present levels during the next month. Prices may fluctuate with reports of crop conditions in the Southern Hemisphere and European buying. The strength of the European demand for wheat may not show itself very definitely until later in the season, when it becomes certain that prices have reached lowest levels and the size of the crops has become more definitely determined.

CORN

Corn prices remained fairly steady during August and the first week of September, but averaged slightly lower during August than during July. The price of No. 3 yellow corn at Chicago averaged $1.02 for August compared with $1.06 in July and $1.09 for August, 1927. The price
received by producers also decreased slightly being 98.2 cents on August 15 compared with 102.4 cents on July 15 and 97.7 cents for August last year.

The tendency for corn prices to remain firm during the summer months in spite of the favorable crop prospects has been due largely to the small supplies in primary markets and the active demand for corn by millers and manufacturers. Receipts at the principal primary markets were slightly less during August than during July, but were nearly four million bushels greater than for August a year ago and three million bushels larger than the five year average of receipts for August. On the other hand, the commercial stocks of corn at these markets decreased from 13,555,000 bushels on August 4 to 8,434,000 on September 8, which indicated an unusual demand for corn at this time of the year. The visible supply on September 8 was the smallest for corresponding date in the past three years.

The September forecast of production was 2,931,000,000 bushels, or only 6 per cent above the crop harvested last year. Should this crop be realized it is not likely that the total supplies for the 1928-29 season will be materially larger than a year ago. The light receipts during recent months in spite of relatively high prices indicate that farm stocks on November 1 are likely to be somewhat smaller than a year ago. With the Commercial stocks materially below last year, prospects are that the carryover of old corn on farms and in primary markets will be somewhat below the carryover of 134 million bushels on November 1, 1927.

Although total supplies during the coming season may not be materially larger than last year, it is not likely that prices will be as favorable to producers as a year ago. The more normal distribution of supplies together with the larger oats and barley crops and the smaller pig crop all indicate that the demand for corn will be less. During the first week in September the December future price of corn at Chicago averaged 75 cents compared with an average of 89 cents for No. 2 mixed cash corn last December.

Corn prices from now until the new corn is available for market will depend largely upon the commercial supplies of old corn available, the demand for corn, and the prospects for the new crop. Should the active demand which has prevailed during the past few months continue into the new season, it is likely that corn prices will remain firm until new corn is available. The lower level of December futures prices, however, indicate that the present level of cash corn prices is not likely to continue into the 1928-29 marketing season.

**FLAX**

The decline in flaxseed prices at Minneapolis from an average of $2.46 for May to $2.05 for August was somewhat more than the usual season decline. At $2.05 flaxseed prices were the lowest for any month since December, 1921. The farm price of flax on August 15 averaged $1.68 compared with $2.04 in August, 1927.
The decline in prices during the past few months was principally
due to the large crop harvested in Argentina in 1927-28 and a weakened
demand for flaxseed products. The supply of flaxseed in the United
States, Canada and Argentina is the principal factor in determining
flaxseed prices in the United States. The 1927-28 Argentine crop was
79,444,000 bushels, compared with 69,091,000 bushels in 1926. The
September 1 forecast of production for the United States was 23,448,000
bushels, compared with 26,570,000 bushels harvested last year. The
first preliminary estimate of the Canadian crop was 4,196,000 bushels,
compared with 4,885,000 bushels harvested last year. The Argentine
acreage seeded for harvest the coming winter is reported to be the
largest on record and conditions appear to be favorable for another good
crop.

Stocks of flaxseed in primary markets of the United States
September 1 were 317,000 bushels compared with 584,000 a year ago.
Stocks in western Canada on the same date were 530,000 bushels compared
with 1,496,000 bushels last year. There are no reports of the exportable
surplus of flaxseed remaining in Argentina on September 1, but
admitting exports from supplies available at the beginning of the
season leaves approximately 6,500,000 bushels more for export than
remained on September 1 last year. This more than offsets the smaller
stocks in the United States and Canada and leaves slightly over
5,000,000 bushels increase in stocks in these countries over September
1 a year ago. Furthermore, stocks of linseed oil have increased. Accord-
ing to the report of the Census, stocks on June 30 amounted to 189
million pounds compared with 153 million pounds a year previous.

Demand for flaxseed products seems somewhat weaker than a year
ago. Linseed oil prices are low. Although linseed meal prices have
been somewhat higher during the past nine months than in the correspond-
ing months of last year, on account of the active demand both in this
country and in Europe, present prospects are that this demand may be
weakened by larger supplies and lower prices for other feedstuffs.
Improvement in the business situation would probably strengthen the demand
for linseed oil and thereby maintain or strengthen the demand for flax-
seed.

The trend of flaxseed prices during the fall and winter months
will be affected somewhat by prospects for the 1928-29 Argentine crop,
the outlook for feed grains, building activity and business conditions.
Should the Argentine crop turn out to be equal to or greater than last
year's crop, it probably would not be so profitable for farmers to
hold flaxseed this year as it was last year when the price of No. 1 flax
in Minneapolis advanced from $2.13 in October to $2.46 in May.
COTTON

Cotton prices continued to fluctuate markedly during August. The price of middling spot cotton at the 10 designated markets averaged 18.47 cents per pound during the last two weeks in August and 18.1 cents during the first week and a half in September. For the month of August the average price was 18.72 cents compared with 21.25 cents for July and 19.16 cents for August last year. The average price received by producers was 18.8 cents per pound on August 15, and 21 cents on July 15 as against 17.1 on August 15, 1927.

The Crop Reporting Board forecast production at 14,439,000 bales on September 1, or essentially the same as on August 1. If the present forecast is realized then the production will be approximately 1.5 million bales greater than it was last year. Private estimates of the world's carryover of American cotton indicate that this increase in production may be more than offset by a 2.7 million bale reduction in the world carryover. The New Orleans Cotton Exchange estimated the world carryover of American cotton this year to be 5,078,000 bales and the Garside Cotton Service, now estimates it to be 5,022,000 bales. The decrease in cotton stocks has been general. Mills in the United States have been reducing their stocks since January, and on August 1 had smaller stocks than at any time since October, 1926, and 396,000 bales less American cotton than on August 1, 1927, according to reports of the Bureau of the Census. During the month of August they still further reduced their stocks of American cotton to 705 thousand bales, making them the lowest since August 31, 1925. The above private estimates of the world carryover show that there has been a similar reduction of nearly one and one-half million bales in the carryover of American cotton outside the United States, about one-half million bales of this occurring in foreign mills stocks. Last year the world carryover was 7.6 million running bales and the ginnings after August 1 wore 12.8 million 500 pound bales, giving a composite total of 20.6 million bales, so that a net reduction of 1.2 million bales is now indicated for this year.

The International Federation reports world mill consumption of American cotton for the year ending July 31, 1928, as 15,407,000 bales. For the year ending July 31, 1926, it was 15,777,000 bales and since there was a decrease of 340,000 bales in domestic consumption for the year, this indicates that foreign consumption was practically unchanged.

Domestic consumption for August was 527 thousand bales, compared with 439 thousand for July and 635 thousand for August, 1927, according to the Bureau of the Census. Exports of lint cotton were 253 thousand bales for August, 331 thousand for July, and 322 thousand for August last year.
Production of textiles, according to reports of the Association of Cotton Textile Merchants of New York, increased from a weekly average of 55 million yards during July to a weekly average of 60 million yards for August. The ratio of sales to production, moreover, was 12.7 per cent compared with 84.5 per cent for July. As a result, stocks of finished goods have been reduced 4.6 per cent during the month.

WOOL PRICE SITUATION

Trading in wool on the Boston market the past month was very irregular on almost all of the principal grades of domestic wools. Prices of territory wools declined about 2 to 4 cents (scoured basis) for most grades, while prices on fleece wool remained fairly steady. Uneven domestic demand and easier prices in Australia at the opening series of the new season have been factors contributing to the decline in territory wools. The average price received by producers in August was 37.0 cents per pound compared with 37.6 cents in July and 31.2 cents in August, 1927. Boston prices for 56's strictly combing Ohio fleece continued about the same, averaging 55 cents per pound during the week ending August 4 and 54 1/2 cents per pound for the week ending September 1, greasy basis. Strictly combing fleece 56's scoured, remained unchanged at §1.01 per pound. The territory wools for this grade decreased from §1.04 to §1.02 1/2 per pound. The most pronounced change came in the higher grade territory wools, 64's, 70's, 80's, fine clothing, scoured, going from §1.10 for the week ending August 4 to §1.02 1/2 for the week ending September 1.

Domestic imports of combing and clothing wool are now turning upward, the total for July being 4.5 million pounds, as against 3.5 million for July, 1927, and an average of 4.8 million pounds for July, 1923-27. Earlier in the year the spread between domestic and foreign prices was insufficient to attract large imports to this country.

Consumption of combing and clothing wool in the United States by reporting mills was moderately low in July being 28.6 million pounds compared with 30.3 million pounds for July, 1927, and 30.5 million pounds during July for the average of the past 5 years. Activity in the European manufacturing industry is somewhat less than it was last month.

In Germany unfilled orders in the worsted yarn industries in August were considerably below those of last year, with buyers holding off and stocks of yarn at mills increasing according to a cable from Acting Agricultural Commissioner Steere at Berlin. Manufacturers of knitting yarn, however, were well occupied. Prices of wool and tops, the first half of August were slightly weaker. The wool market in France has been quiet but a revival is expected in September. Business in the Bradford wool tops and yarn market was slow the last of August,
and demand for piece goods was weaker with mills working only four days a week, according to Consul Thompson.

The selling season opened at Sydney on August 20 with prices of greasy wool 2 to 4 cents lower than opening sales of last year, according to Consul General Lawton. Fleece wools were 5 to 7½ per cent lower, while skirtings were unchanged. Competition was strong for good fleeces and skirtings, but less active for inferior fleeces.
CATTLE

Cattle prices were steady to slightly higher in August as compared with July, and in early September the better grades showed a more pronounced tendency to make their usual seasonal advance as a result of decreasing supplies. Because of recent scarcity of heavy steers, prices on best grades of these kinds have advanced faster than those on lightweights and for the first time since early in the year have occupied the top position.

The general cattle market is at the highest levels since 1919. Compared with a year ago average prices of choice and prime steers at Chicago are up $2.90 and those of medium grades $4.00 per 100 pounds, but top prices are still 40 cents below the peak of $19 reached in late 1927. Arrivals of grass cattle at market have not yet been sufficient to bring about the usual seasonal declines on the lower grades.

Inspected slaughter in July was 11 per cent less than in July 1927, and the smallest for that month since 1921 which was a year of extremely small slaughter. August slaughter apparently showed a still greater decrease as indicated by the 21.7 per cent reduction in local slaughter at 67 markets.

Pasture and range conditions in most sections are very favorable and with a large corn crop indicated, a strong demand prevails for stocker and feeder cattle. This tends to increase the competition for supplies of cattle suitable for slaughter. Stocker and feeder shipments from 12 markets into 7 Corn Belt States during July and August were 32 per cent larger than a year ago but 6.5 per cent less than in those months of 1926.

The unusually strong position of the range cattle industry has probably delayed the movement of range cattle to market, but reports indicate that close selling will take place. Although increased marketings of these kinds during the next two months and probable larger supplies off of grass are in prospect, the general cattle price outlook indicates a maintenance of approximately present price levels rather than any further material advance with seasonal declines less than usual.

HOGS

The rise in hog prices which has been pronounced since early in April continued throughout August and a top price of $13.50 was reached at Chicago early in September. Prices are now at the highest levels for this season of the year since 1926, the average being about $12 per hundredweight, or $4 above that of last winter. In 1924 at the beginning of the previous cycle, prices started their upward movement in July from an average of around $7 and reached a seasonal peak of $11 in October.
The seasonal advance this summer was stimulated by the sharp reduction in market supplies, especially supplies of hogs suitable for the fresh pork trade, and by the high prices of beef. Inspected slaughter in July was 13 per cent below that of a year ago and was the second smallest for that month since 1921. August inspected slaughter apparently showed a still greater decrease as indicated by the 26 per cent reduction in local slaughter at 67 markets. This sharp curtailment in market supplies of hogs resulted in an unusually heavy movement of pork and lard from storage. Total storage stocks of pork on September 1 were 16.6 per cent less than on August 1, and 11 per cent less than on September 1, 1927. Stocks of lard showed a reduction of 13 per cent under the previous month but were 6.7 per cent above those of a year ago. From July 1 to September 1 the movement of pork out of storage totalled 232 million pounds, compared with 78 million in the corresponding period last year. The out movement of lard was 36 million pounds, whereas last year storage stocks increased 20 million pounds between July 1 and September 1.

The pork and lard export situation shows a slight improvement. Exports of pork during July were 5 per cent greater than in July, 1927, but were 4 per cent less than the three year average. Exports of lard were 13 per cent greater than a year ago and almost 12 per cent larger than the three year average. Prices of pork and lard in foreign markets have made seasonal advances about in line with the advances made in this country.

Hog prices usually start their seasonal winter decline in late September or October, but it is likely this year that the drop will be less than usual because with fewer pigs raised, a larger corn crop and fewer cattle to feed there will be a tendency to hold hogs for heavier feeding and probably for expansion of production, all of which will tend to keep down the number of hogs coming to market in the fall and early winter.

LAMBS

The seasonal decline in lamb prices, which started early in June and continued throughout July and most of August, was followed by a sharp upturn the last week in August and in early September. In the decline from the June peak, average prices at Chicago dropped from about $18 to $14 but have since advanced to around $15 per hundredweight. During most of the summer, however, prices have averaged higher than in any previous corresponding season in recent years, notwithstanding that a larger lamb crop was raised and that slaughter supplies have been larger than in any year since 1921. Receipts at 67 markets in August were about 7 per cent greater than a year ago. Stocker and feeder shipments increased 45 per cent. Local slaughter declined 3.5 per cent. August prices were above those for August, 1927, to the extent of 75 cent for feeding lambs, $1.00 for slaughter lambs, and from $1.00 to $1.75 for dressed lambs.

Factors account for the high lamb prices are the increased pelt values, a higher general price level for all commodities, higher prices for competing meats such as beef, veal and poultry, and the strong demand for feeding lambs. No material change in these factors is indicated during the next few months.
Butter prices made the usual seasonal advance during August and the first week in September. The price of 92 score butter at New York advanced from 46 cents the first week in August to 49 cents on September 5, which was 4 1/2 cents higher than at the same time a year ago. The price of 92 score butter at New York during August averaged 47 cents compared with 42 cents for August last year and the farm price of butterfat was 44.3 cents against 38.8 cents a year ago.

The higher prices for butter during the past few months have been due to smaller receipts at primary markets, smaller cold storage holdings and the continued active demand for dairy products. Receipts at five markets during August continued below those of a year ago, gross receipts being 64,182,000 pounds for August, 1928, compared with 68,056,000 pounds for August, 1927. Creamery butter production for July was 1.5 per cent below production during July a year ago and for the seven months ending July 31 was 2.8 per cent below the corresponding period last year.

Cold storage holdings also continued materially below last year and on September 1 were slightly below the five year average, 1923-1927, being 138,136,000 pounds compared with 163,701,000 pounds on September 1 last year and a five year average of 137,885,000 pounds.

The European butter situation continues firm but the seasonal advance in prices in August did not equal the advance made in this country. During July the margin in favor of New York over Copenhagen averaged about 8 cents. During August this margin increased to 9 cents and by the first week in September had increased to 10 cents. Should this margin in favor of New York prices continue to increase at the present rate it is possible that imports of foreign butter will become a factor in determining the domestic prices sooner than usual this year.

Pasture conditions in the United States on September 1 were about equal to those of the same date last year but were materially better in the heavy butter producing states where conditions were unusually poor a year ago. The price of feeds will soon become a more important factor in dairy production. The present outlook is that the price of home grown feeds in the dairy section will probably be somewhat lower this winter than it was last year which will tend to increase production. Although the corn crop is somewhat smaller than a year ago, the larger carryover from last year's crop gives a total supply of 102 per cent of the five year average. The present outlook is that the supply of other home grown feeds will be somewhat larger than that of last year. The price of manufactured feeds which is affected by the price of home grown feeds is also likely to be below the prices which prevailed a year ago.