THE PRICE SITUATION, DECEMBER, 1928

FARM PRICES

The index of farm prices of November 15 was 134 or 3 points lower than on October 15, 7 points lower than on September 15 and 3 points lower than a year ago. The principal declines were shown for meat animals, gains, and fruits and vegetables. Hog prices were adversely affected by large marketings. Corn marketings by farmers during November were largely from the new crop. Wheat and rye reacted somewhat from the levels reached about October 15, but maintained most of the gains over September 15. Flaxseed prices remained unchanged and oats and cottonseed prices made some additional advances. Since the middle of November grain prices have remained fairly steady. Dairy and poultry prices made the usual seasonal advances. Cotton and wool showed slight declines but prices of both products have advanced since November 15.

THE GENERAL COMMODITY PRICE LEVEL

Wholesale market prices have continued the declines which set in during the last part of September. The weekly Anwlist index, after reaching a high level of 153.5 during the second week of September declined to 147.2 by the last week of November, the decline being due mostly to lower agricultural prices. Compared with prices in October, November prices of fuels and metals each advanced somewhat, while textile products prices remained unchanged and farm and food products were lower. Agricultural prices are not apt to recover high September levels during the next few weeks. A seasonal weakness in industrial activity may bring with it weaker prices of non-agricultural goods such as metals. On the whole the general level of commodity prices, like that of farm prices, is likely to remain in the immediate future below the September levels.

BUSINESS CONDITIONS

The outstanding features which usually characterize general business activity during the last two months of the calendar year are a seasonal weakening in activity in manufacturing and other basic industries, and an increase in retail distribution stimulated by holiday trade. These tendencies are now evidenced. Steel mill operations have been declining since the high levels of October, but by the first part of December they were still considerably higher than during the summer months and also higher than during the somewhat depressed conditions of 1927. Automobile production in November again showed
seasonal declines in activity following the high rate of production of early months. Building activity during November according to the value of contracts awarded declined more than is usual at this time of year. Car loading also showed a seasonal decline of about 100,000 cars between the last part of October and the last part of November. This decline compares with declines 150,000 cars in the same period of 1927, 140,000 in 1926, and 60,000 in 1925. In October factory payrolls exceeded both the July payrolls and those of 1 year ago by about 4 per cent. It now appears probable that the high level of business activity taken as a whole for 1928 was reached during the month of October.

An important consideration in the probable level of business activity after the turn of the year still appears to be the cost of commercial credit. Interest rates during November were slightly lower than the high rates of October but they are still relatively high, and as pointed out last month, continuation of high interest rates is not conducive to expanding business activity. During the first week of December interest rates were somewhat firmer and call money rates unusually high, this latter being accompanied by a very sharp reduction in prices of industrial stocks from the new peak reached in November.

WHEAT

Wheat prices were, on the whole, slightly higher in November than in October, and they remained at an almost constant level throughout the month. The average of firm prices the middle of the month was 97.1 cents per bushel as compared with 96.7 cents for October and 111.4 cents for November, 1927. It will be remembered that the figure of 98.7 cents for October, was influenced by higher than average market prices which were current about the middle of the month. The average market price for all classes and grades was 109 cents per bushel in November -- two cents above that of October. For the week ending November 9, all classes and grades averaged 106.4 cents per bushel, the following three weeks ending November 16, 23, and 30 they averaged 108.6 cents, 109.9 cents and 109.4 cents respectively. The week ending December 7 the average of all classes and grades was 108.6 cents per bushel.

There was little change in the relative position of the different grades and classes. Red winter was a little more uncertain in its course, the St. Louis price for No. 2 rising from an average of 141 cents per bushel for the week ending November 9 to 146 cents per bushel for the following week. Thereafter it declined somewhat and was 143 cents for the week ending December 7.

Protein premiums for both spring and winter wheats continue below last year. Premiums for 14 per cent protein at Minneapolis averaged about 21 cents in November as compared with 16 cents in October and 32 cents a year ago. At Kansas City 12.75 per cent to 12.95 per cent protein wheat sold during November for about the same premiums as during the previous month.
There has been little change in the outlook for world supplies. The visible supply in the United States which has been increasing during the past five months turned downward for the first time, decreasing from 136.8 million bushels on December 1 to 135.1 million bushels on December 8. During the next two months it may be expected to decrease considerably as a result of both smaller receipts and increased exports. It is likely that the closing of the lakes will result in Europe taking more of United States wheat between that time and the time when southern hemisphere supplies are available.

In general, it appears that some further increases in wheat prices may be expected. By February hard winter and hard spring wheats in particular seem likely to be favorably affected, and protein premiums may increase as the pressure on storage space in the milling centers becomes less severe and the receipts of high protein wheats become smaller.

CORN

The supplies of new corn resulted in November prices being at levels below the average of October. The November average price received by producers is reported as 75 cents per bushel, while that of October was 85 cents. Prices in the Corn Belt were as usual much lower than the average for the United States, the mid-November price for Iowa being 86 cents and that of Illinois 89 cents per bushel. At Chicago No. 3 yellow declined from an average of 96 cents for October to 84 cents per bushel for November, while at Kansas City the same grade was 86 cents for October and 64 for November. The readjustment of prices at the central markets to the new crop basis occurred during the last few days of October. Since that time and through the month of November prices remained fairly steady strengthening somewhat around the middle of and weakening a little at the close of the month. After strengthening a little during the first few days of December, prices weakened again and on the eleventh of the month were about two and one-half cents under the November average. Kansas City prices are running about three cents below Chicago and St. Louis prices about 2 cents above. Last year, in December, Kansas City was about nine cents below St. Louis and about five cents below Chicago.

The demand for cash corn continued to be strong, while receipts are heavy and stocks are increasing. Receipts at 13 markets during November were 28.6 million bushels, as compared with 15.3 million last month and 15.9 million bushels in November of last year. Commercial stocks of corn, according to reports to the Bureau of Agricultural Economics, increased from 2.0 million bushels on November 3 to 9.7 million on December 8.

The strong demand for cash corn is due in part to the domestic commercial situation and in part to the export situation. Exports since November 1 were 3,612,000 bushels this year as against 1,082,000 last year. In the week ending December 8, exports were 1,699,000 bushels which is over 80 per cent greater than the total exports for the five weeks ending December
10 last year. The large export demand is due principally to the short corn crop of Europe. The light European countries, which have thus far reported, estimate this year's production at 342 million bushels which is 97 million bushels less than their last year's crop, and 194 million bushels less than the average of the 5 years 1923 to 1927. With supplies of old corn low in the southern hemisphere, prospects are that Europe will buy freely in the United States until shortly before the new supplies from Argentina become available in May.

The outlook for the near future is that commercial demand will be well maintained, especially the demand for export. Consequently, unless receipts are unusually large, it is likely that prices will also be maintained for the next few weeks. The outlook thereafter will depend largely upon how much corn farmers decide to feed during the coming year. Though export demand may be expected to be good for the first two or three months of the year, continued large receipts would tend to depress prices. If there is widespread discouragement among farmers over hog prices and if a large number of brood sows are sent to market, more corn will be available for sale, and heavy receipts may weaken the market. However, if there should be a material decline during the first three or four months of 1929, a recovery is likely later in the year.

**FEEDSTUFFS**

Feed grains are, on the whole, lower than a year ago. November prices of No. 3 white oats at Chicago averaged 44 cents this year against 49 cents per bushel last year. For the same month No. 2 barley at Minneapolis was 62 cents this year and 73 cents per bushel last year. The weighted average of No. 3 yellow corn at Chicago was the same for November of both years, but during the first week of December it averaged 83 cents this year as against 90 cents per bushel in 1927. Oats and barley were also up a little the first week of December, No. 3 white oats at Chicago being 47 cents and No. 2 barley at Minneapolis 63 cents per bushel, but both were below last year's figures for the same week of 54 and 65 cents respectively.

The lower prices of the feed grains this year appear to be due to larger production. The estimated United States production of corn, oats, and barley for 1928 is 112.7 million tons as compared with 102.9 million last year, and an average of 103.5 million tons for the past five years.

Most feedstuffs other than grains are at higher levels than a year ago and have been rising during the past month. The average price of 43 per cent cottonseed meal at Chicago in November was $51.75 this year, compared with $46.50 per ton last year, while gluten feed at Buffalo averaged $43.55 per ton this year against $39.10 last year. At Minneapolis
Insured meal was $54.90 this November as compared with $46.40 per ton the previous year. At Minneapolis standard bran averaged $30.65 this November against $28.45 per ton in 1927, while standard middlings were $30.75 per ton as compared with $29.00 a year ago.

Higher prices of other feeds, in face of lower prices for oats and barley and despite larger supplies of millfeeds and cottonseed, indicate an unbalanced situation in the feed market. Flaxseed production is, of course, about 25 per cent smaller than a year ago, being estimated at 20.0 million bushels this year as against 25.6 million bushels last year. The decline in the production of flaxseed, however, should be more than counterbalanced by an increased cottonseed production of about 14 million hundredweight.

In view of the supply situation, then, it seems that prices of millfeeds and concentrates may not be expected to mount upward during the next few months as much as they did during the corresponding months last year. Indeed, if there is not improvement in the prices of red grains, prices lower than at present may result for millfeeds and concentrates.
The farm price of potatoes at 57 cents per bushel on November 15 was only one cent lower than the price on October 15 compared with a decline of five cents in the preceding month and considerably greater declines earlier in the season. Apparently potato prices have about reached the low level this season, for since November 15 potato markets have been generally lower, with noticeable price advances at St. Louis, Baltimore, Philadelphia, slight advance at New York, and prices relatively unchanged at other East Coast markets. As was pointed out last month, prices at present levels are below the average for the season on the basis of prices that have obtained for similar large crops in the past few years.

While it is not possible to indicate exactly the extent of the rise in the general level of potato prices that may develop during the Spring months, certain pertinent facts are now apparent. In the first place, the present supply will continue to be a dominant factor in the price of old potatoes during the first half of 1929. In this connection it is of some significance that the size of the United States crop has a definite bearing on prices in the Spring months, that large crops usually bring low prices in the following May and small crops, higher prices. Thus, crops of less than 360 million bushels in 1925 and 1926 resulted in May prices of old potatoes at Chicago of over $3.00 per 100 pounds; crops of around 410 million bushels in 1923 and 1927 resulted in May prices of about $1.50 and crops around 460 million bushels, similar to the present year's supply, brought around $1.15 per 100 pounds. During the week ending December 1 prices at Chicago were around $.80-$1.05 per 100 pounds. If the usual effect of the supply of old potatoes on the May price prevails again this season, prices at Chicago next May for 1928 potatoes maybe 15-20 per cent higher than at present.

In the second place, the action of farmers in the early potato areas (Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Virginia, Texas, and California) may help to strengthen the markets for old potatoes by reducing their prospective acreage and thus reduce the competition that the present crop will face next Spring. If the early potato growers respond this coming Spring as they have in the past to low prices such as now prevail and to low returns such as they experienced for their last crop, they are likely to reduce their commercial acreage by at least 12 per cent. Following the most recent similar low price situation those of 1922 and 1924, total commercial acreage in the ten early States was reduced by 12-14 per cent.

A third consideration, of more importance to the producers of early potatoes than to the holders of the present supply, is that the price of old potatoes next Spring will be an important factor in the returns that early potato growers will realize for their crop. In the past, the price received for the early commercial crop has been determined almost entirely by the production of early potatoes and by the price of old potatoes (the latter represented by the May price at Chicago.) In the two most recent seasons comparable to the present one, May prices at Chicago of around $4 per 100 pounds in 1925 and 1926 had the effect of holding down the price received by the early potato growers by about 25 cents per bushel. Based on the effect of supply of early potatoes on the growers' price during the past few years, it appears that the production of early potatoes could be materially reduced next Spring and still yield growers a much greater money income from the reduced crop than they obtained for their record crop last Spring.
COTTON

The price of cotton has risen irregularly since the middle of September. From a price of 16.66 cents per pound on September 18, for middling spot cotton at the 10 designated markets, cotton rose to 19.69 cents on November 26. After that date there was a downward reaction, to 18.67 cents on December 10, but on the eleventh it rose to 19.19 cents, a net gain of 2.53 cents per pound since September 18. For the month of November the price averaged 18.70 cents compared with 18.46 cents for October and 19.74 cents for November 1927. Prices received by producers, as reported on the 15th of the month averaged 17.8 cents for November, 18.1 cents for October, and 20.0 cents for November last year.

The crop forecast released by the Crop Reporting Board on December was 14,373,000 bales, which was 240 thousand bales higher than the forecast on November 8, but 68 thousand bales lower than the forecast of September 8. The crop is now forecast to be 1,378,000 bales larger than last year. This balanced against a reduction of approximately 2.7 million bales in the carryover leaves a net reduction in the world supply of American cotton of about 1.3 million bales under that of last year. The production of 14,373,000 bales is slightly more than a million bales below the world consumption of American cotton for last year as reported by the International Federation of Master Cotton Spinner's and Manufacturer's Associations. At the basis of the domestic carryover of American cotton on August 1, the November last year, and the December production forecast, together with consumption and exports to date, it appears that the quantity of cotton remaining in the United States on December 1 was 10.9 million bales compared with 11.2 million bales on December 1 last year. Stocks of American cotton European ports on December 7 were 1,304,000 bales compared with 1,647,000 the corresponding date last year and cotton afloat for Europe was 789,000 bales compared with 537,000 bales on the earlier date according to the Commercial and Financial Chronicle.

Exports continue above those of a year ago, being 1.4 million bales for November, 1.2 million for October, and 1.0 million for November 1927. Total exports during the first four months of this season have been 3.7 million bales compared with 3.0 million last year. A significant feature of exports this season has been the amount going to the United Kingdom. During the four months to date this year the United Kingdom has taken 786 thousand bales against 415 thousand a year ago.

Domestic consumption during November was 611 thousand bales compared with 619 thousand in October, 492 thousand in September, and with 627 thousand in November last year.

Reports from Agricultural Commissioner Steere at Berlin indicate that conditions have improved somewhat in the European cotton textile industry. The report of the association of cotton textile merchants shows a weekly average of 71 million yards for November of 68 million yards compared with 63 million for September. Stocks at the end of the month were 399 million yards compared with 395 million at the beginning of the month and unfilled orders were 520 million yards compared with 513 million at the beginning of the month.
Nearly all grades of domestic wools were in active demand during
November, but the greatest improvement was shown in the short classes of
fine wools. Prices of wool at Boston showed a general increase of 1 to 3
cents per pound, scoured basis, for Territory wools, and some increase for
all classes of 56's. Advances also occurred in 56's, 60's, strictly combing.
Among the factors contributing to the advance were the strong demand and
higher prices at the sixth series of the London Wool Sales and an improving
tendency in the domestic goods markets. The average for 56's, clothing,
grease, Ohio and similar, at Boston, was 51.1 to 52 cents for the week ending
December 1, and 49 to 50 cents for the week ending November 3. The average
price received by producers in the United States on November 15 was 35.9
cents per pound as compared with 36 cents in October, and 31.1 cents on
November 15, 1927.

Consumption of combing and clothing wool in October was well maintain-
being higher than for any October in six years. The total of combing and
clothing wool consumed by reporting mills was 38.0 million pounds in October,
37.4 million in October, 1927, and an average of 36.2 million for October,
1923-1927.

Imports of combing and clothing wool in October were relatively low
but showed the usual increase over September. The total for October was 4.6
million pounds, for October, 1927, 7.0 million and for October, 1923-1927,
5.8 million.

The sixth series of the London Wool Sales opened on November 20 with
prices generally 5 to 10 per cent above the closing rates of the previous
series, and closed on December 5 with nearly everything slightly below the
highest point of the series but considerably above the closing rates of the
fifth series.

A general improvement has been reported in the wool manufacturing in-
dustry on the European Continent, according to a cablegram from L. V. Steer,
Agricultural Commissioner at Berlin. Reports continue to indicate that wool
production in the Southern Hemisphere during 1928-1929 will be larger than
last season. The strong demand situation is reassuring as to the future of
wool prices.

CATTLE

Cattle prices during November continued their seasonal decline which
carried the average price of all cattle at the end of the month to about
the level prevailing last June, but with the better grades of cattle higher
and the poorer grades lower than at that time. Compared to November, 1927,
average slaughter cattle prices were about the same but with better grades
beef cattle lower and the lower grades higher and with stocker and feeder
cattle somewhat higher. From the peak point for 1928, the latter part of
September, the declines have been most marked on short fed cattle of all ki-
on western grass steers and on stockers and feeders. The average weekly
of stockers and feeders at Chicago at the high point in September was $12.4
and the last week in November was $10.06. While this decline was due in part to a lower quality, it largely reflected an actual drop in prices.

Supplies of cattle during November were small. Receipts at seven leading markets were only 76 per cent of November, 1927, and 74 per cent of the five-year November average, and the smallest for the month in fourteen years. The supply of fed cattle, however, was comparatively large, the receipts of good and choice beef steers at Chicago being 23 per cent larger than in November, 1927. This larger supply was due to the comparatively heavy purchases of heavy feeders in August, and September which were returned to market in November. Last year the feeder movement in August and September was very small, with a consequent light supply of short fed cattle in November.

The demand for stocker and feeder cattle during August, September, and October this year, which was much above the demand during those months last year, dropped off markedly in November, with the result that the smaller purchases in November this year were taken at prices not greatly above those of November last year, while the purchases during the earlier months which were much larger than last year were made at prices materially above last year.

The larger movement of stocker and feeder cattle during the months July to December, this year compared to last, points to some increase in feeding during the first half of 1929. The total supply of slaughter cattle during that period will probably be smaller than during the first half of 1928, due to a shortage of butcher cattle of all kinds. The average price of slaughter cattle during this period will probably be at least as high as last year, but temporary over-supplies of fed cattle may carry prices below the levels prevailing during the first half of 1928.

LAMBS

Lamb prices during November were on about the same level as in October, but with considerable fluctuations from week to week. Toward the end of the month, however, the market gave some evidence of increasing strength and during the first days of December, prices at Chicago had advanced to the highest point in two months, with a top of $14.40 per hundred. The average of lamb prices was lower in November this year than in 1927 and was the lowest for the month since 1923 and was but little above the lowest for all months since 1921.

Receipts of lambs at seven leading markets in November were about 5 per cent larger than in November, 1927, and well above the five-year November average. The out-movement of feeder lambs from markets in November this year was considerably larger than in November, 1927. The movement of feeders through markets into the Corn Belt States for five months July to November this year was about 200,000 head or 11 per cent larger than for these months last year. This increase will probably be more than offset by a smaller direct movement into Colorado. Total feeding in all areas this winter will probably be on a reduced scale compared to last year. The market outlook appears fairly favorable for those lamb feeders whose supplies will not be ready to move until after the middle of January.
The sharp seasonal decline which characterized hog prices during late September and October was checked materially during November and by the middle of December apparently had reached the low point of the winter season. Average prices during November and early December followed about the same course and general level that prevailed during the same period last year. For November the average cost of packer and shipper hogs at Chicago was $8.84 against $8.92 last year and $11.80 two years ago. The greatest decline has been on heavy weight hogs. This made the spread between prices of heavy and light weights somewhat narrower than it was at this time last year.

The weight of hogs at Chicago since early in October has averaged heavier than at this period for the last five years. Apparently in areas where the corn crop was short last year many hogs were carried through the summer and finished out on new corn. Also many light unfinished hogs were marketed early in the season with the result that the average weight of hogs slaughtered during October was only slightly heavier than during October last year.

Federally inspected slaughter of hogs during October was 25 per cent greater than during October last year and receipts of hogs at all markets during November showed an increase of 11 per cent. This increased supply, however, does not indicate a corresponding increase in the total winter marketings. Last year marketings were especially late whereas this year the marketings appear to be normal or perhaps earlier than normal.

Storage stocks of total pork at the beginning of December were 10 per cent greater than the relatively small stocks at that time last year. Lard stocks, however, showed a somewhat larger relative increase than pork. Wholesale and retail prices of hog products are now on a level about the same as a year ago. Demand conditions affecting the consumption of pork products appear to be generally more favorable than a year ago.

While hog prices in early December indicated a level for the month only slightly above that for December last year, conditions appear favorable at least for a full seasonal advance in the hog market in the late winter and spring. This would make prices considerably better than during February and March of last year when they were depressed by the unusually heavy movement of hogs. It is doubtful however if the present premium on heavy hogs will continue.

BUTTER

Butter prices showed the usual seasonal advance during the month of November. The price of 92 score butter in New York averaged 50.6 cents for the month, compared with 47.8 cents for the month of October and 49.8 cents a year ago. The price received by producers for butterfat averaged 47.6 cents, compared with 47.0 cents for October and 45.8 cents for
November 1927. The price received by producers for butter averaged 45.6 cents, compared with 45.2 cents for October and 44.5 cents for November 1927. The present prices to producers are higher relative to the New York price than in 1927, or the average relation for the last five years.

Receipts at the 4 principal markets in November were 34,471,380 pounds compared with 39,541,988 pounds in October and 32,124,618 pounds in November 1927. This is an increase of about 7 per cent over November a year ago. Reduction in cold storage holdings was 34,757,000 pounds during the month. This was about the same reduction as took place a year ago. Holdings were 71,054,000 pounds on December 1, compared with 83,224,000 pounds on December 1, 1927.

Indications are that we have about reached the low point in domestic butter production for the year and that we may expect production at a level somewhat above that of last year for the next few months. The prices of feed crops and other concentrates continue favorable to production in the principal butter producing sections.

As is usual at this time of the year the direct influence of foreign butter is beginning to be felt. In Great Britain the holidays generally mark the end of the seasonal upward movement and there is usually some diversion of shipments to the United States, to avoid or relieve the slump that follows. At present the margin in favor of domestic prices is practically equal to the import duty of 12 cents a pound. For November the weekly Copenhagen quotations averaged 40.5 cents or 10 cents lower than New York quotations. This is the widest November margin in recent years, except November 1926 when Copenhagen prices were abnormally depressed by industrial disturbances in Great Britain to 15 cents under the New York price. During the winter of 1926-27 about 4 million pounds of New Zealand butter were marketed in this country. This season is unusually favorable in both Australia and New Zealand for butter production. The first shipment of New Zealand butter arrived in New York on December 8, with part of the cargo under optional bills of lading. Total shipments of butter afloat from countries of the Southern Hemisphere, principally to Great Britain, on November 24 were 28,168,000 pounds against 27,888,000 pounds on November 19, 1927.

Indications from both the foreign and domestic situation are that we have probably reached the peak of prices for the current year. The domestic production situation indicates a higher level of production than last year, and should this not develop sufficiently to lower the level of prices the foreign situation indicates the probability of a considerable import movement. The seasonal decline may be expected to begin during the latter part of December and January with an erratic market.