THE PRICE SITUATION, JUNE, 1929

FARM PRICES

The general level of prices received by farmers on May 15, at 136 per cent of pre-war prices, was 2 points lower than on April 15 and 12 points lower than on May 15 a year ago. Most of the decline was due to lower grain and cotton prices although hog, lamb, wool and butter prices were also lower. These were partly offset by higher prices of potatoes, apples, beef cattle, hickens and eggs.

Since May 15 grain prices declined markedly but recovered somewhat by the second week in June. Potato prices failed to hold the gains of the preceding month, but cattle prices advanced. These recent changes indicate that the general average of farm prices was lower during the last half of May than on May 15, but have since recovered to approximately the level of May 15. During June and July the general average of farm prices usually held at the May level, or somewhat lower, except for the few years when grain prices recover during the summer months.

THE GENERAL COMMODITY PRICE LEVEL

The general level of commodity prices which has tended downward since September reached another low point by the end of May. The lower level in May was due largely to the marked decline in grain prices. The first week of June showed slight improvement in the general average, this too being due to a partial recovery in grain prices. According to the Annalist weekly index, the general average on May 28 was 142.7 compared with 144.5 a month earlier and 149.4 in June of last year. On June 4 the index stood about a point higher, at 143.9. Wholesale prices of farm products on May 28 averaged 118.8 compared with 141.4 a month earlier and 151.9 a year ago. In the first week of June the index of farm products recovered to 138.5, the same level as prevailed during the middle of May. During recent weeks the average of commodity prices has remained practically unchanged. Prices of textile products and of building materials declined slightly and metal prices also were lower May than in March and April.

BUSINESS CONDITIONS

The outstanding features of the general business situation are still record rate of activity in the iron and steel and automobile industries, high level of interest rates, the large volume of credit used in speculative activity, and the maintenance of construction at a level below that of last year. The large volume of automobile production appears to be the stimulating factor in the record output of iron and steel as well as
in the increased volume of freight traffic handled by the railroads. Factory employment and payrolls which in April increased contrary to the usual seasonal trend, have apparently been maintained at the recent levels. This increased buying power is being reflected in a 2 per cent increase in retail sales for both April and May.

Interest rates except those on call loans in May averaged higher than in April and considerably above those of a year ago. Apparently the general credit situation is helping to check the volume of construction, particularly of residential construction. Industrial stock prices declined sharply during the latter part of May but recovered about half of the decline by the end of the first week in June. In the past month banks reduced the volume of their investments and loans on securities, but maintained loans for commercial and agricultural purposes at recent levels.

From the present high rate of industrial activity there is undoubtedly developing a volume of consumer buying power which will sustain the consumer demand for the farm products during the summer months. However, output among such basic and far reaching industries as the iron, steel and automobile industries is at a level not likely to be maintained, especially in face of high interest rates. Insofar as the trend in prices is associated with prospective business conditions, it may be observed that there has recently been a downward trend in prices usually sensitive to anticipated slackening in industrial activity. Some reduction in domestic consumer demand may therefore develop later in the season.

WHEAT.

Cash wheat prices continued to decline into the last week of May and then turned upward. Farm prices as of the middle of May averaged 90.1 cents per bushel, a decline of 9.7 cents from the middle of April. The average of all classes and grades at six markets declined from 103 cents a bushel, the week ended May 17, to 95 cents the last week in May. All classes of wheat shared in the decline. Likewise all classes have shared in the rise in price in the early part of June. As indicated last month, the drop in prices was largely due to concern over the large stocks on hand and prospects of harvesting another good crop of wheat.

Wheat areas estimated in the 22 countries reporting to date total nearly 141 million acres, nearly 6 millions or 3.8 per cent greater than last year. This accounts for about 56 per cent of last year's acreage. Of this increase in area, however, 4,200,000 acres are in the United States due to only a small abandonment. Furthermore, these figures do not take into account the more extensive winter killing reported in Europe, for which we do not have definite estimates. Drought is retarding seeding in Argentina. The area to be harvested throughout the world may yet turn out to be little if any greater than last year.

The prospect still is for some increase in carryover on July 1. The increase may amount to 125 to 150 million bushels and most of this will be in the United States.
The early forecasts of production in the United States, India, Mexico and Morocco all indicate crops somewhat larger than last year, but present conditions in several other countries indicate smaller crops.

According to the Canadian official report for June the condition of spring wheat is equal to the ten year average. The average yield of all wheat for the past ten years was 17.1 bushels per acre. The amount of rainfall has been small for the season to date and since the amount of subsoil moisture will become more important as the season progresses this will very probably result in a low or only average yield per acre. Despite a slight increase in the acreage, normal or less than normal yields would reduce the Canadian production materially.

The prospects for the crop in some European countries seem very good but in others not quite so good as last year unless conditions continue very favorable for the remainder of the season. Even good yields may not make up for the heavier winter killing in some countries. In Argentina scarcity of rainfall has delayed seeding and seems likely to reduce the production for the coming season. While it is too early to make a very definite forecast of the world's crop, conditions generally now suggest that it may be at least 10 per cent less than last year.

Should the world crop outside of Russia and China turn out to be 5 per cent less than last year, this reduction would more than offset the increase in carryover and reduce to that extent the world's supply. Other conditions remaining the same, the increase in world demand would then result in some increase in the average world market price for the season over the average for the past season.

Should the world supply turn out to be as indicated above, the prices of all classes of wheat in the United States would be strengthened as compared with the average for the past year excepting possibly soft red winter. In the last year No. 2 soft red winter in St. Louis has sold at an average of 20 cents above the price of No. 2 hard winter wheat at the same market, and the monthly differences have ranged from 31 cents in September to 9 cents in May. This may be taken as an index of the higher prices paid for soft red winter wheat on account of the shortage of the supply of that class of wheat. The June forecast of wheat production by States indicates that the soft red winter wheat crop this year will be close to 200 million bushels as compared with 140 million last year. Since this is more than the usual domestic requirements for this class of wheat, it seems likely that prices of soft red winter will be held close to those of hard red winter in the coming season.

Since the supply of hard red winter (production plus carryover) now seems to be a little larger than in the past season, prices possibly will continue to be fairly closely in line with world market prices and would be favorably affected by a rise in the world price level of wheat prices.

The white winter wheat crop appears to have been reduced and the price of that class of wheat therefore is likely to be well maintained as compared with that of other classes.
The situation with respect to durum and spring wheats is still quite uncertain. The forecast of the wheat crop in Morocco indicates that competition from North Africa may be greater than last year, but this may be more than offset by the reduction in the crop of the United States on account of reduced seedings. The supply of hard red spring wheat is still to be determined. A reduction in the Canadian crop would strengthen the price for this class of wheat in relation to the world market prices for other classes of wheat.

As stated last month the prices of all classes of wheat are likely to fluctuate greatly with reports of crop prospects in the next two months. Heavy marketings of new wheat in the next two months together with favorable crop reports may cause short periods of depression but, should conditions develop in Canada, Argentina and Europe as now seem possible the general level of each prices is likely to be lifted upward to some extent as the marketing season progresses.

In the past season the course of the prices of most classes of wheat have followed closely that of the 1923-24 season. Crop and market condition are now similar in some respects to what they were at the beginning of the 1924-25 season. The course of prices in that season is shown in accompanying charts. The marked rise which took place in the fall and winter of the 1924 season was caused mainly by a short crop in Canada and reductions elsewhere totalling about 400 millions from the previous season. If the crop this season is only 5 per cent or about 200 million bushels less than last, the rise in prices can not be expected to equal that of the 1924-25 season.

CORN

The United States average farm price of corn on May 15 was 36.2 cents per bushel compared with 37.3 cents a month before. The somewhat lower price on May 15 as compared with those of April 15 were general throughout the country except in the far western States where there were small increases.

At the principal markets cash prices during May averaged about 2 cent per bushel lower than in April, the average price of all classes and grades five markets being 84.6 cents per bushel compared with 86.9 cents in April. No. 3 yellow at Chicago, which had averaged 89.8 cents per bushel in April, stood at 90.0 cents per bushel the first week of May. It averaged 87.7 cents the next two weeks and 87.9 cents per bushel the week ended May 24. In the week ended May 31 there was a rapid decline which carried the average for the week down to 84.0 cents. This sharp decline was followed by a similar sharp recovery, and for the week ended June 7 the average was 86.5 cents per bushel.

Primary receipts during May were unusually small, the total for 13 markets being 11.2 million bushels which was the smallest for any month since April 1927, and the smallest for any May since 1923. Commercial stocks were reduced to 14 million bushels at the close of the week ended June 8 - a figure 11 million bushels less than a year ago and 19 million less than two years. The visible supply on June 1 was smaller than it has been on a corresponding day of any year since 1924. Up to the first of June this season receipts at 13 primary markets have been 26 million bushels less than last year. During the same period the disappearance of corn at these markets has been about 9
The outlook for corn prices during the next two months has not changed materially from what it was a month ago. Prices will be affected by the prospects for the new corn crop in the United States and, to a lesser degree by prospects for the production of other feed crops in the United States and Europe. The decline of prices during the latter part of May was not an indication of the development of an underlying weakness in the corn price situation, but rather a temporary depression related to the near-panic condition which developed in the wheat futures market. Indeed the lateness of corn planting has strengthened the price outlook. With normal development of crop prospects, cash corn prices may be expected to move upward somewhat during the next two months and to average above prices of the past month.

POTATOES

The farm price of potatoes on May 15 averaged 59 cents or 4 cents higher than on April 15, compared with $1.03 a year ago. The rise in the general average, reflected a considerable advance on eastern potatoes which more than offset the somewhat lower prices in the South and in the Northwest. After the middle of the month prices of old potatoes declined from about $2.00 per hundredweight at New York to $1.35 on June 12 as against $1.05 at this time last year. Prices of early potatoes declined from about $4.50 per hundredweight the first week of May to about $3.00 by the middle of the month, and after a short lived rise in the third week of May continued the seasonal decline which usually accompanies the increased shipments from the southern States.

By June 12 heavy shipments from the early producing States, together with shipments of old stock reduced prices still further, to about $2.30 per hundredweight. This average is about $1.40 below the average of early potatoes during the month of May. Should the heavy movement continue, still lower prices may be expected during June.

During the next two months the level of prices will be very largely influenced by the crop in the second early producing States. Based on June 1 conditions a crop of less than 12 million bushels compared with 18 million last year is indicated. This should tend to strengthen prices after the low levels that may be reached in June. From present indications it seems probable that the level of prices in August may be about twice as high as in August 1928.

COTTON

Cotton prices sagged during the last part of May but recovered quickly in the first few days of June, middling spot cotton at the ten designated markets averaging 18.51 cents per pound for the week ended June 8. The price received by producers averaged 18.0 cents per pound on May 15 or one-half cent lower than a month earlier and 2.1 cents lower than on May 15, 1928.

The Weather Bureau reported rather too much rain and too low temperatures in much of the cotton belt for best crop progress during May, although
the weather was somewhat more favorable except in Texas in the first part of June. Fertilizer tug sales in eight important cotton States from December 1 through May were 99 per cent as large as for last year.

Apparent stocks of American cotton remaining in the United States were reduced about 1 million bales during May to 3,457,999 bales on June 1 as compared with 4,056,000 on June 1, 1928. Domestic consumption was higher in March than in April, and was essentially the same as in January, which was the peak month for the year. For May it was 668,229 bales compared with 631,710 bales in April, and 577,394 bales in May last year. Exports continued to decline, being 313,005 bales in May, and since they rose during May last year, they were considerably below those of the corresponding month a year ago. For the season to June 1, exports this year were 750,000 bales greater than last year.

Activity in the cotton textile industry in the United States showed some decline in May with a weekly production 5.8 per cent below the previous month and sales were 81.5 per cent of production, according to the reports of the Association of Cotton Textile Merchants. In Continental Europe activity in the cotton textile industries declined in April and early May and yarn sales were mostly below production. There was some improvement in the sales of both yarn and fabrics in Western Europe (where the level has been high) but sales remained unsatisfactory in Eastern Europe. In Great Britain the trade in cotton textiles appears to have been only moderate during April, but exports of pig goods were greater than in the same month a year ago. The Japanese cotton textile industry continued very active in April, both production and exports being above the high level of March.

WOOL

Prices of most wools at Boston continued to go lower during May, but the declines did not affect quite so many classes as in the past few months. Prices tended to hold more steady for the last half of the month than for the first half. Prices fell most on 56's (3/8 blood) wools, the declines amounting to 2 to 5 cents per pound, greasy basis and 3 to 4.5 cents, scoured basis. Prices for combing lengths fell more than for clothing lengths. In the first half of May there were declines of from 1 to 5 cents per pound, scoured basis on all classes of Territory wool of 48's and finer grades and on 48's, 50's, and coarser grades. On the first of June 56's (3/8 blood) strictly combing, Ohio and similar greasy wools were 44 to 45 cents per pound with prices for clothing lengths about 2 cents lower, while on a scoured basis strictly combing Territory 56's were 87 to 91 cents per pound with clothing lengths 6 to 7 cents lower. On 64's, 70's, 80's (fine) Ohio and similar strictly combing greasy wool prices were 40 to 41 cents per pound (5 cents above the clothing length) and on strictly combing Territory wool scoured basis, were 98 to 100 cents per pound (5 to 6 cents above the clothing lengths). The farm price of wool on May 15 averaged 31.3 cents for the United States, compared with 33.8 a month previous and 37.0 cents a year earlier. In Texas the May prices averaged 3 cents lower than the April prices. Buying is now reported to be very active in Texas wools.
The level of wool prices abroad continued downward in May, prices in England for both 50's and 64's wools falling about 3 cents per pound. Tops and yarns prices also fell. The decline in wool prices has not stimulated buying at Bradford, as lack of confidence in prices is curtailling buying for future needs and speculation.

Domestic consumption of combing and clothing wool in reporting mills remained high in line with a general high rate of business activity. For April it was 35.7 million pounds, grease equivalent, compared with 35.6 million in March and 28.3 million in April 1928. The imports of combing and clothing wool are falling off and are below last year, being 11,884,000 pounds for April.

Stocks of wool in the primary markets have been reduced considerably during the past month but remain high. In Australia stocks have been reduced from 91,000,000 on April 1 to 41,000,000 pounds on May 1 but are still 33 per cent above last year. Stocks in Uruguay were reduced over 30 per cent but at the Central Produce Market in Buenos Aires, Argentina the stocks of 11,056,000 pounds on March 26 were only reduced to 10,908,000 pounds by May 7. Stocks held in bond at Boston are about 2.5 million pounds below those of last year. Conditions now appear favorable for the coming clip in Australia, New Zealand, Union of South Africa, and Uruguay but there has been little improvement in Argentina.

CATTLE

The cattle market during May was characterized by the unusually small fluctuation in prices. Not only were the changes in weekly average prices small but fluctuation from day to day were within rather narrow limits. The weekly average prices of beef steers at Chicago were within a range of $3.67 to $3.75 and the ranges of the averages of the different grades were but little larger. The average price of all kinds and grades of cattle was somewhat higher than in May last year and was the highest for the month in ten years. The top on beef steers at Chicago in May 1929 at $15.00, however, was no higher than in May 1928.

Receipts and slaughter of cattle during May continued comparatively small. The receipts at seven leading markets were 10 per cent smaller than in May 1928 and 18 per cent below the five year May average and were the smallest for the month in at least twelve years. Inspected slaughter in May was about 6 per cent below May 1928, and 11 per cent below the five year May average. Receipts of beef steers at Chicago were more than 15 per cent smaller than in May 1928, but supplies of good and choice steers were only 8 per cent smaller. Shipment of stocker and feeder cattle from twelve markets into seven leading feeding States were 8 per cent larger than in May 1928 and the largest for the month since 1924. Most of this increase apparently was in cattle going to pastures in Kansas and Nebraska and not in cattle to be finished this summer on grain. Prices for these cattle were higher than in May 1928, and were little, if any, below the highest level for any month on record.
Reports from western cattle States indicate that cattle and calf losses were not much above normal to the end of May this year in spite of the very severe winter and late spring storms, and the high price of feed and the short supply in some areas. While prices on stock cattle, as reported, are very high there seems to be much less activity than a year ago, and contracting of calves and yearlings for fall delivery has been on a much reduced scale.

While moisture supplies in most of the important cattle States forecast good summer range and pastures, the market movement of grass fat-cattle in volume will possibly be a little later than usual due to the slow growth of grass during May in many States, the thinner condition of cattle going onto grass and the relatively light weight of cattle moved into grazing areas. This situation points to relatively small receipts of all cattle during June and July and a continued scarcity of lower grade slaughter cattle. Under those conditions a seasonal advance during June and July on grain finished cattle at least equal to that of last year is to be expected, together with less than the usual seasonal decline on grass cattle. During those months last year the advance on grain finished cattle was about $1.75 per 100 pounds.

**LAMBS**

Prices of all kinds of lambs declined throughout May continuing the downward movement that started about the middle of April. The decline on old crop, fed lambs, was greater than on spring lambs and relatively greater on shorn fed lambs than on wooled fed lambs. The top price on wooled lambs at Chicago dropped from about $16.65 at the beginning of May to around $15.00 at the end, while with shorn lambs the drop was from $14.50 to $12.50. Top on choice spring lambs dropped from about $17.50 to $16.50. Some recovery was made during the first week in June. While prices during May were below May 1928 and 1927, they were above those of 1926.

In view of the very heavy supplies during May the decline in the lamb market was relatively small. Receipts at seven leading markets were over 20 per cent larger than in May 1928; inspected slaughter was over 18 per cent larger than last May and 21 per cent above the five year May average and the largest for May on record. The large supplies were due to the continued heavy marketings of California spring lambs and the very large late movement of fed lambs from western feeding areas. The total eastern movement of California spring lambs was the largest on record. About 515,000 head of live lambs were shipped east to June 1, compared to a total movement last year to June 15 of 384,000. During May over 200,000 head more fed lambs were shipped out of Colorado and western Nebraska than during May last year and the movement after the middle of May was the largest from these areas since shipments have been recorded.

Receipts of lambs at middle western markets in June will probably be less than last year, but this decrease will be largely offset by increased supplies at eastern markets from the southeastern States.
Supplies in July will depend largely upon developments in the early lamb areas of Idaho, Washington and Oregon. Feed and weather conditions all spring have held back the development of these lambs and the movement to market will be later than usual and the lambs will be below normal quality. Because of the unfavorable outlook for fall and winter ranges, and the prospects for another winter of higher feed costs it is probable that both lambs and old ewes will be shipped freely this summer.

HOGS

After reaching their peak in late March hog prices receded slightly and then held steady until the beginning of May when the usual seasonal decline got under way. The decline however, has been moderate, amounting to $1.08 per 100 pounds from the March high point in the weekly average price at Chicago, and shows indications of having been checked the last week in May when the Chicago average was $10.57. By June 13 the price had recovered to $10.89. Average price for May was $10.81 compared with $9.67 for May last year.

Slaughter supplies have not been greatly different from a year ago. Inspected slaughter in May was only 2.2 per cent less than May last year and for the first seven months of the current crop year which ends with October was only 2 per cent less than in the corresponding period of the previous crop year. Average weights in most months of the current year have been slightly heavier than a year ago so that total pork and lard production for the crop year to date is only about 1.5 per cent less than last year.

Storage stocks of pork on June 1, amounting to 871.4 million pounds, were 5.2 per cent less than the unusually large June 1 stocks of last year. Lard stocks, amounting to 183.7 million pounds were the second largest on record for June, being only 1.3 per cent less than the extremely large stocks of a year ago.

Lard continues to be a depressing factor in the hog market situation. Lard exports in April were only slightly larger than in April 1928. Domestic prices are at the lowest level of the year, averaging 12.5 to 12.75 cents per pound for refined lard in tubs at Chicago, as compared with 13 to 13.5 cents a year ago. Exports of pork products in April were about the same as in April last year.

Prices of fresh pork receded slightly in May in line with the decline in hog prices but were generally somewhat above the prices of May 1928. Prices of cured products on the other hand are essentially unchanged, having declined slightly at Chicago and advanced an equal amount at New York. These products with the exception of hams and picnics are still selling near the levels of a year ago.

Slaughter supplies during July, August and September probably will be little different from supplies in those months last year. October supplies, however, are expected to be somewhat smaller than in last October, since it is not likely that hogs which are normally ready for market in the summer will be held on farms until fall as happened last year.
Hog prices are now showing indications of having reached the seasonal turning point and of beginning the advance which usually takes place in the summer as supplies fall off. Developments in the price situation may be influenced somewhat by the indications shown in the spring pig survey, the results of which are to be released June 25. If there are indications of reduced farrowings this spring that probably will be a strengthening factor in the price situation. Hog prices are now on a higher level than they were a year ago and it seems probable that the rise will carry prices to a higher peak than that of last year. Since it is unlikely that so large a proportion of the summer and fall receipts will arrive during the latter half of September and the month of October as was the case last year, the peak of prices will probably be reached somewhat later than it was a year ago.

**BUTTER**

The price of 92 score butter in New York was 45.5 cents on May 1. It had declined to 43 cents by May 15, and had remained unchanged to June 7. The price was 43.5 cents on June 10. The spread between 92 score and 88 score butter is now 2.5 cents compared with 1.5 cents on May 1. The average price of 92 score butter for the month was 43.5 cents, compared with an average of 44.9 cents for May 1928 and 42.2 cents for the five year average. The average price of butterfat to producers in Minnesota, Iowa and Wisconsin, however, was above that of a year ago, being 49.3 cent on May 15, compared with 47.7 cents a year ago. In the seven southeastern States the average was 42.7 cents, compared with 40.4 cents a year ago.

Receipts at the four principal markets during May were 70,742,000 pounds compared with 61,424,000 pounds a year ago, and 64,940,000 pounds for the five year average. Cold storage holdings are larger than last year and were 28,428,000 pounds on June 1 compared with 15,952,000 pounds a year ago.

Changes in summer production of butter from the preceding year are largely determined by differences in pasture conditions and the butter-feed ratio from the preceding year. Pasture conditions are much better than a year ago and about the same as 1927. The butter-feed ratio is more favorable for production than either 1927 or 1928 and about the same as 1926. This indicates, with the continuation of present conditions, a production much heavier than a year ago and probably above the summer production of 1927. Prices during June and July will probably be below those of a year ago and close to the prices of 1927.

**EGGS**

May egg prices rose steadily until near the end of the month when there was a slight decline. The price of fresh firsts at New York rose from 28.5 to 29 cents on May 1 to 32 to 32.25 on May 23. By May 31 the price had dropped a little more than a cent, to a level maintained through the first week in June. The average May price for this grade was 30.9 cents as compared with 27.6 cents for April and 29.6 cents for May last year.
Receipts this month at the four primary markets were about 10 per cent lower than last May. Since the first of the year receipts have totaled 8.1 million cases (by June 1) as compared with 8.7 million for the same period last year and the five year average of 8.3 million cases. June receipts should be somewhat above the low level of last June, but receipts during the remainder of the year will probably be about the same as last year. It is not very likely that the year's total will equal that of last year.

Storage stocks are low. On June 1, 1929 total storage holdings were 8,704,000 cases as compared with 8,168,000 cases on June 1, 1928 and the five year average of 7,791,000.

Conditions now indicate that June prices will probably be above those of last June. Unless abnormal conditions affecting production occur, it is doubtful if prices the rest of the summer will drop below that of last year, while in view of the lower total receipts and small storage holdings, it is very likely that fall prices will be somewhat higher than they were last year.
WHEAT: PRICE OF NO. 1 DARK NORTHERN SPRING AT MINNEAPOLIS

WEIGHTED WEEKLY AVERAGE CASH PRICES
(WEEK ENDING FRIDAY)

- 1923-24 Crop year
- 1924-25 Crop year
- 1926-27 Crop year
- 1928-29 Crop year
- 1929-30 Crop year

JUNE JULY AUG. SEPT. OCT. NOV. DEC. JAN. FEB. MAR. APR. MAY JUNE
WHEAT: PRICE OF No. 2 RED WINTER AT ST. LOUIS

WEIGHTED WEEKLY AVERAGE CASH PRICES
(WEEK ENDING FRIDAY)

- 1923-24 Crop year
- 1924-25 Crop year
- 1926-27 Crop year
- 1928-29 Crop year
- 1929-30 Crop year

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