THE PRICE SITUATION, JUNE 1932

FARM PRICES

The general average of prices paid to producers of farm products on May 15 was 56 per cent of the 1910-1914 average, compared to 59 per cent on April 15 and 86 per cent on May 15, 1931. The exchange value of farm products for the goods which farmers usually buy is now only about 50 per cent of the 1910-1914 average. Fruits and vegetables was the only group of farm products to register a price rise from mid-April to mid-May; the index of poultry product prices being unchanged, while prices of all other groups declined. Meat animals registered a greater price decline than any other group. Of the 24 major agricultural products, only 3, viz, potatoes, apples, and eggs, increased in their farm price from April 15 to May 15.

Wholesale prices of several farm products, particularly grains, cotton, and potatoes, have declined further since mid-May. The Bureau of Labor Statistics' weekly index of wholesale prices of farm products for the week ended June 4, made a new low at 54 per cent of the 1910-1914 average, compared to 57 per cent for the week ended May 14.

THE GENERAL WHOLESALE PRICE LEVEL

The general level of wholesale prices in the United States for the week ended June 4 was 95.4 of the 1910-1914 average. This was the seventh consecutive week during which the wholesale price index has declined. Fuel and lighting is the only group with higher prices now than two months ago. Grains and textiles have contributed most heavily to the general price decline in early June. Cotton prices have reached the lowest level in over 75 years, wool prices have declined to the lowest in this century, and silk prices have declined to the lowest level on record.

The Index of wholesale prices in currency in 8 foreign countries declined 3 per cent from March to April, making a new low in April at 69 per cent of the 1926 average. This is equivalent to 60 per cent on a gold basis, compared to 66 per cent for the United States.

BUSINESS CONDITIONS

Although some lines of activity showed improvement during May compared with April, the general trend of trade, industry and the buying power of consumers continued downward. The chief developments were of a financial nature. The Federal Reserve Banks continued to purchase Government securities to make additional funds available to member banks, but in recent weeks these purchases have been in smaller volume. Committees of bankers and businessmen have been appointed in several financial centers to facilitate the use of the additional
funds which have been made available. European countries again withdrew a considerable amount of gold from this country for export or earmark. Prices of industrial stocks and bonds declined during the month to now low levels. Bond prices in the first half of June, however, advanced and offset a portion of the decline experienced in May.

Industrial activity in general during May was probably somewhat below the level reached in April when, according to the Federal Reserve Board, it was only 54 per cent of the 1923-1925 average compared with 88 per cent a year earlier. Building contracts awarded were again increased from the very low levels of last March but these were chiefly in public works and utilities; residential contracts showing somewhat more than the usual seasonal decline. Automobile production was larger in May than in April, and still greater during the first week of June. This served to increase steel production during May but by the first week of June, steel output was close to the former low levels. Pig iron and coal production were sharply reduced. The production of textiles and shoes was also reduced to conform to a reduction in the volume of sales. These developments have undoubtedly further reduced payrolls and employment from the low level of April. In that month the Federal Reserve Board Index of factory payrolls after allowing for seasonal variations declined 5 per cent to 47.9 per cent of the 1923-1925 average.

The purchases of Government securities by Federal Reserve Banks have increased the total holdings of these banks as of June 1 to about $1,600,000,000 which is about twice as much as their holdings in February, when the policy of increased security purchases was initiated. Member banks have further reduced their borrowings from the Federal Reserve, but have not yet increased their loans for commercial purposes or on securities, both of which have in fact been further curtailed. Investment holdings have been increased slightly and deposits have ceased to decline. A very rapid withdrawal of gold from the United States developed during May and reduced the monetary stock of gold (reserves of the Federal Reserve Banks) about 260,000,000 dollars, but this was offset in its effects on the money markets by the increased purchases of securities by the Federal Reserve Banks.

This rapid movement of gold to Europe like that which developed last fall has been attributed by some to fears abroad concerning the value of the dollar. But according to the Federal Reserve Bank of New York (Monthly Review June 1) "A major part of the movement reflected a transfer abroad of central bank funds which had been employed in the New York money market; carrying further the tendency for central banks to concentrate their reserves in their own vaults instead of keeping a substantial part invested in foreign markets". In the second week of June there was a material strengthening of the dollar in terms of foreign exchange, which, if continued, would tend to reduce the volume of further gold exports.

The end of 1931-32 crop season finds the purchasing power of consumers at the lowest level so far in this depression, with a number of efforts, chiefly of financial character, being inaugurated to promote business revival. In marketing the 1932 crops during the next few months, farmers face the fact that while many industries have already made adjustments in their operating costs and selling prices to conform more nearly to the low state of consumer incomes,
other industries are still in the process of doing so. Another fact which will tend to retard recovery in the domestic demand for the 1932 crops is the tendency for consumers to withhold buying until their earnings have definitely increased.

WHEAT

Cash prices of most wheats in the United States averaged lower during May than in the preceding month. Through the first three weeks of May prices rose slightly from the low level they had reached late in April but in the last few days of May and the first three days of June there was a drastic decline which brought prices to the lowest level reached since last October. Futures prices at Liverpool showed an upward movement during most of the month of May, but declined during the last few days of May and the first week of June. The rise of futures prices at Chicago shortly after the middle of May was much greater than the rise at Liverpool as was also the subsequent decline.

The decline in wheat prices during the last few days of May and early part of June was apparently the result of a combination of unfavorable factors. Associated with the decline were the unfavorable outlook for the spring wheat crops of the United States and Canada; a general weakness of speculative markets which was shared by commodities and securities alike; the prospect of an increased carry-over in the United States as the new crop comes to market; and the tendency for European countries to tighten their restrictions on imports in anticipation of the harvest of their own new crops of wheat. The accumulating evidence that the United States carry-over will be larger than the record carry-over of last year and the prospect that a larger proportion of the carry-over will be in the hands of the trade than was expected earlier in the season, have had a tendency to weaken the United States market for the past three or four months. This has tended especially to weaken the cash market in the United States, but also to weaken Chicago futures relative to Liverpool. Chicago prices, however, are still higher than usual relative to Liverpool. This reflects the prospective shortness of the winter wheat crop as well as the fact that the Grain Stabilization Corporation still holds sufficient wheat to be an important factor in the market, especially the export market.

The United States average farm price as of May 15 was 42.4 cents per bushel compared with 43.1 cents a month previous and 59.9 cents in May 1931. At Minneapolis, No. 1 Dark Northern Spring and No. 2 Amber Durum declined from averages of 73.2 and 71.5 cents per bushel respectively in April to 71.7 and 67.5 cents per bushel for May. At St. Louis, No. 2 Red Winter declined from 57.0 to 55.9 cents per bushel. At Kansas City, on the other hand, No. 2 Hard Winter was slightly higher, averaging 53.6 cents in May compared with 53.2 cents in the previous month.

The United States is about to enter the new crop year with the prospect of a winter wheat crop about 377 million bushels smaller than that of last year. Partially offsetting this decrease, however, will be an increase of about 40 million bushels in the July 1 carry-over, and an increase of an undetermined amount in the spring wheat crop. The winter wheat crop is now estimated at 411 million bushels, and the carry-over of domestic wheat in the United States as of July 1, appears likely to be about 360 million bushels compared with 319 million last year.
Last year's crop of all spring wheat in the United States totalled only 105 million bushels due to extremely low yields and heavy abandonment of spring wheat. This year the June 1 condition of all spring wheat is reported as 65.5 per cent of normal compared with a condition of 67.9 per cent a year ago and a 10-year average condition of 66.8 per cent. In the past, however, the June 1 condition of spring wheat in the United States has given very little indication of the subsequent yield so that about the best that can be said at the present time is that the spring wheat crop of 1932 is likely to have a much more nearly average yield than that of last year. Average yields this year would result in a spring wheat crop of about 250 million bushels or nearly 150 million bushels larger than was produced in 1931. Assuming, then, spring wheat yields are about average, present indications would suggest that total wheat supplies of the United States for the 1932-33 crop year may be about 200 million bushels smaller than those of the past year.

In Canada, where the great bulk of the crop is spring wheat, the general situation is quite similar to that in the spring wheat area of the United States. The condition of all wheat as of May 31 in Canada is reported to be 96 per cent of the long-time average, but in Canada, as in the United States, the spring wheat condition as of May 31 has, in the past twenty years, given no significant indication of the subsequent yield of the crop. Taking into account weather conditions to date, however, it seems reasonable to assume that Canadian yields may be slightly above average and that the total crop in that country may amount to somewhere in the vicinity of 475 million bushels compared with 304 million harvested in 1931. In the event of a yield in Canada and the United States such as suggested above, the total North American crop would be approximately 100 million bushels smaller than that of 1931.

In Europe, as well as in North America, there are indications of a somewhat smaller production of wheat than that of last year. For some time past there have been indications of a smaller production in the surplus producing countries of the Danube Basin. Acreage is apparently somewhat smaller for Europe as a whole, and recent reports indicate that early June weather has been distinctly unfavorable for the crops of western Europe. Cold wet weather will have a tendency to reduce the final yield and postpone harvest.

Altogether it now seems likely that production of wheat in the Northern Hemisphere (excluding Russia and China) is likely to be about 200 million bushels smaller than that of last year, and that the July 1 carry-over in the principal exporting countries together with United Kingdom port stocks and quantities afloat is likely to be smaller than that of last year by about 15 million bushels. In addition to a smaller carry-over and a smaller crop in the Northern Hemisphere outside Russia and China, there are indications pointing to a smaller volume of shipments from Russia during the summer and fall months. These were discussed somewhat more fully in the May issue of the Price Situation.

Smaller European crops would tend to increase the demand for wheat from surplus producing countries, and the demand for North American wheats would be especially increased by reduced supplies available from other exporting countries. But European importing countries continue to restrict imports of bread grains, and at the relatively high prices prevailing in these
countries no increase in consumption is to be expected. Imports of wheat into
oriental countries may continue large, but only at low prices. Disappearance of
wheat through feed and waste in the exporting countries also are contingent upon
the price level. Furthermore the new season finds the wheat market confronted
with a much lower level of industrial activity and consumer incomes in the United
States and in most other countries.

CORN

Corn prices held fairly steady and even showed some signs of strengthening
during the first three weeks of May. During the fourth week, however, there was a
decline which continued into early June and resulted in prices a little lower than
those of early May, which were the lowest of the season. By the 10th of June there
had been a slight recovery.

The United States average farm price as of mid-May was 30.2 cents per bushel
or about 1 cent below the level of a month previous. Market prices for May also
were lower than those of April; No. 3 Yellow at Chicago averaging 31.4 cents per
bushel compared with 32.5 cents in the previous month. The lower average for May
was the result primarily of prices having been higher earlier in April. For the week
ended May 6, No. 3 Yellow at Chicago had averaged 30.5 cents per bushel compared
with 32.6 cents four weeks earlier. For the second, third, and fourth weeks
small advances were recorded with the result that the average for the week ended
May 27 was 32.2 cents, but there was a decline to 30.7 cents per bushel for the
week ended June 3.

Receipts at 14 primary markets during May totalled 5.5 million bushels
compared with 10.8 million last year and an average of 13.0 million bushels in
May of the past five years. Total receipts for the first seven months of the
season have amounted to 74.2 million bushels compared with 122.2 million last year
and an average of 170.2 million for the corresponding seven months of the past
five years. The continued small marketings are primarily the result of low prices
at the principal markets. Market prices have been low relative to farm prices
in much of the Corn Belt as well as low relative to prices of past years and to
transportation costs.

The low level of market prices has been due to poor demand. Poor feeding
demand is the result primarily of low prices of livestock and dairy products.
Industrial utilization has also been small as is indicated by wet process
grindings. These amounted to only 4.9 million bushels in May compared with 5.6
million in May of last year and an average of 6.4 million bushels for the
corresponding month of the past five years. Grindings for the seven months,
November to May this season, have amounted to 37.1 million bushels compared with
38.8 million last year and an average of 47.3 million bushels for the past five
years.

Commercial stocks of corn declined from their peak of 23.0 million bushels
on March 26, to 20.9 million June 4. This decline, however, has been less than
usual. The June 4 level of stocks compares with 10.9 million bushels a year ago
and an average of 19.0 million for the corresponding date of the past five years.

From January to April corn prices exhibited a distinctly great weakness
than wheat prices, declining fairly steadily while wheat fluctuated throughout the
period at approximately the same level. Both wheat and corn shared in the late
April decline, both were fairly steady during the first three weeks of May, though
wheat showed somewhat more of a rising tendency; both declined during late May and
the first few days of June. Altogether, however, corn prices have shown little
independent weakness during April and May.
POTATOES

Prices of old crop potatoes during May remained fairly stable in the West North Central States, but declined sharply in the Northeast. New crop prices also declined sharply, the effect of the large supplies of old crop potatoes offsetting the influence of the smallness of supplies of the early crop.

The United States average farm price of potatoes on May 15 at 47 cents per bushel was practically the same as on April 15 but 40 cents lower than prices of a year ago. At Chicago, old crop potatoes from the North Central States remained around 85 cents per 100 pounds during the month with some increase during the first week of June, but prices of Idaho potatoes at Chicago declined about 20 cents from 1.34 to 1.14 cents between the first week of May and the first week of June. A similar decline occurred at New York, Maine potatoes averaging 1.20 cents for 100 pounds during the first week of May and only 94 cents during the first week of June. Prices at Presque Isle, Maine, during this interval dropped at the rate of about 10 cents per 100 pounds per week, to 30 cents per 100 pounds, compared with 65-70 cents a month ago. Those price declines on Far Western and North Eastern potatoes reflect the large volume of shipments from those areas, part of which had been retained from the markets earlier in the season because of unsatisfactory prices. During the week ended June 4, late crop shipments amounted to 1,920 cars compared with only 511 a year ago.

Shipments of new crop potatoes during the week ended June 4 were seasonally larger, but only about half of the volume for the comparable week of a year ago. Prices, however, reflected both this seasonal increase and low prices of old stock. Prices of Florida potatoes at New York declined from $5.30 per 100 pounds during the second week of May to $2.50 during the first week of June, which is only slightly higher than prices a year ago when the southern crop was much larger than this year's small crop. Prices of South Carolina potatoes at New York declined from $3.75 per 100 pounds during the third week of May to $2.35 during the first week of June and prices of North Carolina potatoes are showing a continuation of that trend. Of the total early crop being grown this year, the commercial portion of the crop in 5 second-early States is now expected to amount to only 13,719,000 bushels compared with 18,651,000 bushels estimated produced last year. The forecasted commercial production for 5 intermediate States, as of June 1, is reported at 11,010,000 bushels compared with 10,140,000 bushels last year. While the marketings of the new crop have thus far been affected by the large supplies and low prices of northern potatoes, the balance of the early crop marketings, will meet with less competition as northern shipments fall off and become negligible by the end of June.

RICE

Rice prices in California and in the Southern Belt continued unchanged during May. Fancy Blue Rose at New Orleans averaged $2.12\(\frac{1}{2}\) during May and the first week of June. Fancy Lady Wright averaged $2.87\(\frac{1}{2}\) for the same period. Blue Rose rough at Louisiana mills was quoted at $1.80 to $2.00 per barrel on June 6, the same as a month earlier, whereas Lady Wright rough declined about
20 cents per barrel during the period averaging $1.70 on June 6. Fancy California-Japan at San Francisco was quoted at from $2.30 to $2.35 per hundred pounds on June 6, the same as a month earlier. No. 1 Brown averaged $2.00 per hundred pounds during May and the first week of June.

Southern Belt

The movement of rough rice from farms to mills was 702,000 barrels during May compared with 520,000 barrels during May 1931. The May movement of milled rice into consuming channels was somewhat smaller than the April movement, but about equal to that of May 1931. Shipments to Porto Rico during May totaled about 13,000,000 pounds, about 6,000,000 of which came from California. Total Porto Rico movement for the crop year to June 1 amounted to about 168,000,000 pounds compared with 190,000,000 for the corresponding period last year. Exports through Southern ports during May totaled about 20,000,000 pounds which was about 3,000,000 pounds below the April movement. For the crop year to June 1, exports through Southern ports have totaled about 176,000,000 pounds compared with 187,000,000 for the corresponding period last year.

Stocks of rough and milled rice in millers hands on June 1 were reported to be the equivalent of 174,900,000 pounds of milled rice or 1,749,000 barrels of rough rice compared with 127,800,000 pounds of milled or 1,278,000 barrels of rough a year earlier. The carry-over on August 1 is likely to be considerably larger than that of a year earlier.

Trade reports indicate an acreage planted in the Southern Belt ranging between 675,000 and 700,000 acres, or a reduction of from 18 to 21 per cent below the 1931 harvested acreage. Southern rice growers on March 1 intended to make a reduction in acreage planted this year of about 14 per cent under that harvested in 1931. Water supplies are reported to be ample and the condition of the crop favorable.

California

Shipments of California rice to Hawaii during May were slightly smaller than the movement to that market during April but about the same as the movement for May 1931. The total movement of California rice to Hawaii for the crop year to June 1, was about 69,000,000 pounds compared with 73,000,000 for the corresponding period last year. Exports of California rice during May totaled about 1,000,000 pounds which was considerably above the movement of the previous month, but somewhat less than the May 1931 exports.

The price relationship between Tokyo and San Francisco continues unfavorable for the export of California hard rice to Japan. The price, in terms of United States currency of middle quality brown rice at Tokyo was $2.11 per hundred pounds on June 1. The price of No. 1 Brown at San Francisco on that date was $2.00.

Hogs

The seasonal decline in hog prices which started the third week in March continued without interruption until the last week in May when the weekly average price at Chicago reached $3.19. At the low point prices were at the lowest levels in more than 35 years. The decline in the weekly average from the March high point to the May low amounted to $1.35, or 30 per cent. The Chicago average
for the month of May was $3.34, or only slightly more than half of that of May last year. Prices recovered slightly during the first ten days of June and showed some indication of the beginning of a seasonal advance.

Hog slaughter under Federal inspection during May totaling 3,940,000 head, was the third largest on record for May and was almost 16 per cent larger than in May last year. This large increase is a reflection of the 20 per cent increase in the 1931 fall pig crop as shown by the December pig survey. The increase of more than 500,000 head in May, plus the accumulated increase for the seven months October to April, makes the increase in total slaughter for the first eight months of the current marketing year over the corresponding period of the previous year amount to 2,226,000 head or 7 per cent. Average weights in May at the principal markets were about 3 per cent less than in May last year.

Wholesale prices of pork declined through May but the decline in prices of cured pork was less marked than that in fresh pork prices. Lard prices also declined, reaching new low levels with prices of refined lard at Chicago down to 5 3/4 cents per pound. The average wholesale composite price of hog products in May was 40 per cent lower than in May last year and 7 per cent below that of April this year.

The export demand for American hog products continues very weak and promises to be weak throughout the summer. European hog slaughter continues at high levels and is not expected to show much reduction until next winter. Exports of pork in April were almost one-third less than in April last year and were less than half the 5-year April average. Lard exports were 20 per cent smaller than in April last year. Pork exports in May were stimulated by temporarily reduced Danish bacon supplies in British markets as a result of a suspension of hog slaughtering operations in Danish bacon factories during the first half of May. The suspension was due to labor disturbances over reductions in wages. The dispute was settled and slaughtering was resumed on May 12, however, and killings were at record levels during the third week in May.

Storage holdings of pork decreased 10 million pounds during May compared with a decrease of 40 million pounds in May last year and lard stocks increased 16 million pounds compared with an increase of 7 million pounds in May 1931. Total stocks of pork on June 1, amounting to 789 million pounds, were about 1 per cent smaller than on May 1, but were 5 per cent smaller than on June 1, 1931 and 3 per cent smaller than the 5-year June 1 average. Stocks of lard, amounting to 129 million pounds, were 17 per cent larger than on May 1 and 25 per cent larger than on June 1 last year, but were 8 per cent under the 5-year June 1 average. Packers apparently have made special efforts to move pork into consumption as rapidly as possible in order to avoid accumulating heavy stocks for the summer trade, and apparent consumption in May was considerably larger than in May last year.

The peak in the market movement of hogs from the fall pig crop is usually reached in late May or early June, and then supplies usually fall off until the second week in September when the spring pig crop begins to move to market. It appears now that the peak in the market movement of hogs from the crop of last fall was reached in May and that the seasonal trend in marketings will be downward until some time in September.
Total supplies available for slaughter during the next four months are indicated to be considerably larger than those slaughtered in the corresponding period last year. The time when these hogs move to market, and hence the total slaughter for the summer period, however, will be determined to a large extent by the policies followed by producers with respect to finishing and marketing their hogs. Because of the current low prices for hogs many producers may decide to carry their hogs on pasture and fatten them on grain for the fall market rather than finish them for the summer market. If this policy is carried out by a large proportion of hog raisers, the summer supply will be smaller than it would be if the usual feeding and marketing plans were followed, but it would result in increasing supplies for the fall market.

Last year, slaughter supplies were unusually small in June, July and August. Slaughter in June was the smallest for the month since 1918. Slaughter in July was the smallest July slaughter since 1920 and August slaughter was the second smallest for that month since 1920. September slaughter last year, however, was above average. If the distribution of slaughter supplies during the next four months should be normal and have the normal relationship to the slaughter of the last eight months, we could expect the total increase in slaughter for that period, over the corresponding period last year, to amount to around 1,500,000 head or about 13 per cent. However, as pointed out above, the market supply and its distribution during the next four months will be influenced to some extent by the action taken by producers with respect to their feeding and marketing plans.

CATTLE

Cattle prices declined further during the first half of May, reaching the lowest levels of this depression and the lowest in over twenty years in the week ended May 14. In that week the average weekly price of beef steers at Chicago went to $5.89, the only week that the weekly average has gone below $6.00. Compared with the low week of 1931, reached the last week in May, the average price of all beef steers was 79 cents lower, with the different grades ranging from 90 cents lower on common steers to 34 cents lower on choice steers.

Between May 1931 and May 1932 the declines in most other kinds of cattle were more marked than with beef steers. The decline in price of butcher hogs ranged between $1.10 to $1.30 on different grades, beef cows between $1.25 and $1.50, bulls around $1.25, veal calves $2.40 and stocker and feeder steers $1.50.

From the low point in the second week of May beef steers made some recovery and by the end of the first week in June the weighted average price of all beef steers was back to the level of the first week in May; thus taking three weeks to recover the losses of the one week. The drop in prices in May was much less this year than last and the decline since the first of January has been more gradual and also much smaller both relatively and actually. From the first of last year to the low point in May 1931, the weekly average of all beef steers declined from $9.80 to $8.68 and choice steers from $14.01 to $7.49; this year the declines were from $6.92 to $5.89 on all steers and from $10.79 to $7.19 on choice. The decline in 1931 was so large that it wiped out all seasonal advance in the prices of lower grade beef steers and of butcher cattle which generally takes place during this period. This year the
movements were more seasonal although the advance on lower grade steers was relatively smaller than usual and butcher cattle prices declined.

Cattle supplies in May were small. During May this year compared with a year ago, receipts at 7 markets were 12½ per cent smaller and inspected slaughter was 13 per cent smaller. Inspected slaughter was 14 per cent below the 5-year May average and the smallest for the month in eleven years. Calf slaughter was 6 per cent smaller than in May 1931 and also the smallest for May in eleven years. Supplies of beef steers at Chicago in May were but little different from a year earlier, with the proportion of better grades somewhat less, but the proportion of common was much less than in preceding months. As in other months of this year steers made up an unusually large proportion of the slaughter and most of the decrease in total slaughter was in cows.

The continuing small slaughter of cows and calves seems to indicate that cattle raisers, both beef and dairy, are disinclined to sell at prevailing low prices. Although this reduction in commercial cow and calf slaughter may have been accompanied by increased farm slaughter it is hardly likely that the latter can offset any large part of the former. If this situation continues through the balance of the year a further sharp increase in cattle numbers will take place which may carry the total of brooding cows close to the highest level ever reached in this country.

The relatively small slaughter of cattle in contrast to the relatively large slaughter of hogs and lambs during recent months has resulted in cattle prices being better maintained than either hog or lamb prices. Cattle prices are still above the level of 1911 and of most years preceding that year, while hog and lamb prices are at the lowest level of the present century. Comparing the inspected slaughter of the three species for the first five months of 1932 with the first five months of 1911 shows that cattle slaughter this year was only 11 per cent larger while hog slaughter was 50 per cent larger and lamb and sheep slaughter 42 per cent larger.

Shipments of stocker and feeder cattle from markets in May continued small. While there was a rather heavy movement of Texas cattle into Kansas and Oklahoma pastures in April and May, the movement of southwestern cattle to the northern plains and Rocky Mountain areas was light and the demand for stock cattle in those areas was very limited. Supplies of fed cattle during the next three months will be small and the market movement of gross fat cattle from all areas will probably be later than usual.

BUTTER

Butter production in April was less than a year earlier. The low price of butterfat has curtailed the feeding of grain to milk cows, and with poor pastures, the seasonal increase in butter production has been less than usual. The continued decline in business activity and payrolls, however, has curtailed the consumptive demand as well as the storage demand for butter and the decline in butter prices has been greater than the usual seasonal decline. In early June domestic butter prices were only 1 to 2 cents higher than prices in London.
Creamery butter production in April of 135.8 million pounds was 5.1 per cent less than in April 1931. This was the largest decrease from the corresponding month of the preceding year since July 1931. Production in April was only 6.7 per cent larger than in March as compared with the usual seasonal increase of about 11 per cent.

Crop correspondents reported average milk production per cow in their herds on June 1 as being 17.0 pounds or 3.4 per cent less than a year earlier, 6.5 per cent less than the unusually high production two years earlier, and the lowest for June 1 since 1925. On May 1, milk production per cow was 7.4 per cent less than a year earlier. Grain fed per cow on June 1, was 13 per cent less than on June 1, 1931. Crop correspondents reported milking 75.0 per cent of the cows in their herds on June 1. This was about average for that date. The number of milk cows on farms is from 3 to 4 per cent larger than a year ago, but with the decrease in milk production per cow, total milk production in May was probably less than in May 1931.

The condition of dairy pastures on June 1 of 78.3 per cent of normal was considerably below average for that date, but not as much below average as on May 1.

The price of 92 score butter at New York in May averaged 18.8 cents per pound, the lowest for any month since August 1934. The May price was 1.3 cents less than the April price and 4.8 cents lower than in May 1931. The farm price of butterfat on May 15 of 16.4 cents per pound was 1.4 cents less than a month earlier and 4.8 cents less than a year earlier. The May price was only 45 per cent of two years ago and 36 per cent of three years ago.

The movement of butter into consumptive channels during April of 134.6 million pounds was 6.3 per cent less than in April 1931. This decline in trade output and the decrease of 23.9 per cent in retail prices of butter indicate that consumer expenditures for butter in April were 29 per cent less than a year earlier. The decrease from the preceding year was 28 per cent in March and 18 per cent in February.

Cold storage holdings of creamery butter on June 1 of 29.3 million pounds were about 6 million pounds less than a year earlier. The movement of butter into storage during May of 16.9 million pounds was somewhat larger than the unusually light movement a year ago, but 6 per cent less than the 5-year average for May. The light into-storage movement indicates a conservative policy on the part of storage operators.

During the first three months of 1932, imports of butter into Great Britain and Germany were about 10 per cent larger than in the corresponding months of 1931. In April, however, imports were 16 per cent less than a year earlier. Low prices and tariff barriers have tended to check and to shift foreign trade. France and Italy are both importers of butter at the present time. Prior to 1930 exports of butter from France exceeded imports.
On June 9, the price of 22 score butter at New York of 17.5 cents was 4.6 cents higher than the Copenhagen official quotation, only 1.2 cents higher than Danish butter in London, and 1.9 cents higher than New Zealand butter in London.

**CHEESE**

Cheese production is decidedly lower than a year ago, and imports are also lower. Cold storage stocks of cheese while not unusually large were accumulated when prices were decidedly higher than at present. The into-storage movement of cheese in May was unusually light. General deflation in commodity prices and widespread unemployment have greatly curtailed the demand for cheese and the downward trend in cheese prices has continued.

Production of cheese in April of 35.8 million pounds was 18 per cent less than a year earlier and the smallest for April since 1927. Production in April was only 6 per cent larger than in March as compared with the usual seasonal increase of 18 per cent. The decrease in cheese production has been greater than the decrease in butter or evaporated milk production. In April, creamery butter production in Wisconsin was 6.3 per cent less than a year earlier while American cheese production was 16.5 per cent less.

The ruling price of cheese on the Wisconsin Cheese Exchange rose from 8.5 cents on April 22 to 9.0 cents on April 29, but declined again to 8.5 cents on June 3. The average price during May of 9.0 cents was only slightly lower than in April but 1.4 cents lower than in May 1931. The price in May was only 45 per cent of the price three years previous.

The movement of cheese into consumptive channels during April of 44.3 million pounds was 13.3 per cent less than in April 1931. The retail price of cheese in April of 23.3 cents per pound was about 20 per cent lower than a year earlier. The decrease in prices and trade output indicate that consumer expenditures for cheese in April were about 31 per cent lower than in April 1931. For March the decrease from the preceding year was 27 per cent compared to 21 per cent for February.

Cold storage holdings of cheese on June 1 were 40.5 million pounds; about 6 million pounds less than a year ago and about 13 million pounds less than the record June 1 holdings in 1930.

The net into-storage movement of American cheese in May of 1.5 million pounds was the lowest for May since 1924 and only 27 per cent as large as the 5-year May average (1927-1931). While stocks on May 1 of 39.0 million pounds were about average, most of these stocks had been accumulated when prices were much higher than at present. The decline in prices during the last three years has resulted in a cautious policy in accumulating stocks.

Imports of cheese in April of 5.3 million pounds were about 19 per cent less than a year ago and the lowest for April since 1926.
EGGS

May egg markets failed to develop any definite price trend, but in early June quotations advanced 1/4 to 1 1/2 cents with the better grades leading in the advance. The firmer market situation appeared to be primarily due to lighter receipts, although low storage stocks and a somewhat more active demand also played a part. In May, prices fluctuated irregularly, although within a narrow range. Sentiment at the beginning of the month showed evidence of increasing firmness, but turned easy as the period progressed with the result that prices later declined about 1 cent a dozen. The primary factors unfavorable to a stronger price situation were the continued indifferent demand of eggs for storage purposes and the continued low consumption in comparison with other years.

The price of mid-western special packed eggs in New York averaged 17.5 cents during May, in comparison with 16.7 cents during the previous month, and 20.1 cents during the corresponding month a year ago. On June 7 special packed eggs were quoted at 16 1/2 to 19 cents, standards at 15 1/2 to 16 cents, and rehandled receipts at 13 1/2 to 14 cents in New York. The farm price of eggs was 10.3 cents on May 15, representing an advance of 0.1 cent from the previous month, but a decline of 3.0 cents from the same date in 1931.

Receipts of eggs at the 4 markets during May totaled 1,907,000 cases, compared to 2,163,000 cases in May, 1931, and 5-year average May receipts of 2,320,000 cases. The decline in receipts was general throughout the country, but arrivals were relatively the lightest from the commercial poultry producing regions of the Pacific Coast. Further reductions in the size of the farm laying flock and light hatches in commercial hatcheries both indicate the probability of continued light receipts during not only the next few months but also the coming season.

Storage stocks of case eggs on June 1 totaled 5.4 million cases, compared to 7.9 million cases a year ago, and a 5-year average of 8.2 million cases. In addition 2.7 million case equivalents of frozen eggs were held in storage. This year a larger than usual proportion of the eggs that have gone into storage have been of the better grades as the trade has been adverse to storing eggs of low quality. This is just the reverse of conditions which prevailed during the past several years when larger quantities of low quality eggs were stored, making it impossible to dispose of the storage stocks at a reasonable price in competition with fresh eggs during the following fall and winter months.

POULTRY

Poultry prices were irregular during May and early June with a slight downward trend. Receipts of fresh dressed stock at the 4 markets (New York, Chicago, Philadelphia and Boston) amounted to 18,404,000 pounds, in comparison with 16,981,000 pounds during the same month in 1931, and 5-year average receipts of 18,676,000 pounds. Considerable criticism is being voiced at the irregular quality of the general run of receipts as a result of the low prices being paid for poultry at country points.
The farm price of live chickens on May 15 was 12.2 cents, a decline of 0.4 cent from the previous month, and of 3.7 cents from the same date a year ago. A weak demand, heavy receipts at terminal markets during recent weeks, and the resulting liberal stocks in warehouses have prevented the usual rise in chicken prices from January to May and June. Storage stocks of dressed poultry on June 1 totaled 44.7 million pounds, in comparison with 35.3 million pounds on the same date a year ago, and 5-year average June 1 stocks of 48.7 million pounds.

LAMBS

The decline in lamb prices which started about the middle of April continued through most of May and carried the level of lamb prices to the lowest point yet reached in this depression and to the lowest level of the present century. Although comparable prices for earlier years are not available it seems probable that never before in the history of the Chicago market did fed lambs sell as low as during the low point in May when the top on fed woollen lambs dropped to $4.75. At the beginning of the month the top was about $6.75.

The decline in spring lambs during May was about as severe as with fed lambs. California spring lambs sold up to $8.00 at Chicago early in May while at the end of the month top prices were down to $6.00, but there was probably some difference in quality. At the low point in May few active spring lambs sold above $6.00. Slaughter ewe prices did not change much during May from the very low levels reached in April, prices having reached about the minimum at which market shipments could be expected to be made.

Some recovery in lamb prices occurred during the first few days in June and a rather sharp advance took place during the second week. On June 6 prices were from $1.00 to $1.50 a hundred above the low point in May.

While supplies of lambs were large in May they were the smallest relative to the corresponding month of 1931 of any month this year. Receipts at 7 leading markets were only 96 per cent as large as in May 1931, but inspected slaughter was the same and 20 per cent above the 5-year May average. Because of the smaller movement of Texas sheep in May this year than last the proportion of lambs in the total slaughter was larger than last year. Shipments from California to middle western markets in May were larger than seemed probable at the beginning of the month. Cool weather and frequent rains in May improved the feed situation materially and the early lambs in the sections where feed had been short made a good recovery. Up to the first of June shipments from Idaho were small. Moisture conditions in May in most of the western sheep States were good and range feed conditions for the early summer promise to be favorable.

Slaughter during the six months period December 1931 through May 1932 during which most of the fed lambs from the 1931 crop were marketed, was about 730,000 head, which is equivalent to a 9 per cent increase over the same period in 1930-31.
To some extent the results of the previous year's feeding operations effect the fall demand for feeding lambs. Because of the very low prices for fed lambs during both the early and late months of the past marketing season, lamb feeding as a whole during the past season was not a very profitable enterprise. It is doubtful if, on the whole, the net returns from the lambs fed, were much more than sufficient to cover costs of feeder lambs and value of feed used at current prices.

Because of the smaller number of early lambs in Idaho, Oregon and Washington this year than last it seems probable that in June and July receipts of early lambs at middle western markets will be below those of a year earlier, but that total inspected slaughter will not be greatly different.

WOOL

Wool prices declined materially during May, but wool sales were too limited to establish prices with certainty. On June 4 prices of strictly combing territory wools were 38 to 40 cents for fine, 32 to 34 cents for 3/8 blood, and 28 to 30 cents for 1/4 blood. The declines from May 7 amounted to 64 cents on the first two grades and 4 cents on the last one. Grease wools on June 4 were mostly 15 to 16 cents for strictly combing lengths and 12 to 14 cents for clothing lengths. The United States farm price on May 15 averaged 9 cents, with State averages ranging from 6 to 14 cents per pound.

The London Wool Sales closed June 3 with further price declines and a carry-over of 106,000 bales, reflecting the generally unsatisfactory foreign trade and ample supplies. Ordinary 70s scoured basis were 13.6 cents below Boston prices of 64s, 70s, 80s; 56s were 13 cents below the Boston price, and 46s were 17.9 below the Boston price for the most nearly comparable grades.

The margins of domestic over foreign prices are well below the tariff rate of 34 cents per pound clean content and imports have become very small. Imports of combing and clothing wool into Boston, Philadelphia, and New York from January 1 to June 4 amounted to only 8.9 million pounds, compared with the already low imports of 20.6 million pounds for the like period last year. From the end of May until the first of January imports are characteristically low.

Receipts of domestic wool at Boston in the six weeks ended June 4 amounted to only 28 per cent of those for the corresponding period last year. This decline undoubtedly reflects a later shearing this season and a change in wool marketing procedure from the procedure that brought heavy receipts into Boston early in the season last year. It leaves large supplies yet to reach market and there is little evidence whether they will be sold gradually or forced on to an unwilling market. The peak in receipts of domestic wool at Boston usually comes in July.

Wool consumption in the United States, like the trading at Boston, has fallen to very low levels. Consumption of combing and clothing wool fell to 15.7 million pounds grease equivalent in April compared with 25.0 million in March and 35.8 million in April last year. From January through April consumption amounted to only 65.5 million pounds or 78 per cent of that for the like period in 1931. With the partial recovery in general business from
December 1930 to May 1931 the consumption of combing and clothing wool rose sharply from 24.5 million pounds in November 1930 to 43.5 million in July 1931. The present sharp decline reflects the recent decline in general business conditions and the acute reduction in consumer incomes.

Recovery in wool consumption usually comes quickly when business recovery gets under way, but it is doubtful that increases from the present low level will be sufficient by the end of the current year to prevent an increase in the carry-over. The domestic wool clip is nearly equal to normal domestic consumption. Disappearance of combing and clothing wool in this country for the past five years has averaged 457 million pounds and domestic production in 1931 was 435.4 million pounds. Consumption for the period January through April was only 73 per cent of the 5-year average. A moderate reduction in the 1932 clip is expected, but it will not offset a continued decline in consumption of such severity as the present one. As a result, wool prices need to be considered more in the light of prospects for carrying wool at a profit and less in terms of the price at which wool can be brought in over the tariff than has been the case in recent years.

COTTON

Further unfavorable developments occurred in the domestic cotton textile situation during May and total consumption of cotton declined 10 per cent below the reduced levels of April. In continental Europe unsettled political conditions have been a disturbing factor as have the labor difficulties in Great Britain. These factors in addition to the unfavorable developments in other speculative markets contributed to the further declines in cotton prices despite the increased mill activity in the Orient and the continued heavy exports of American cotton. Weather conditions recently have, on the whole, been favorable, but fertilizer sales have continued small.

Domestic consumption of raw cotton in May dropped to 332,000 running bales which was 35,000 bales or 10 per cent below April and 135,000 bales or 29 per cent below May 1931, according to data released by the Bureau of the Census. This was the smallest monthly consumption since 1920-21. For the ten months this season domestic consumption has totaled 4,270,000 bales compared with consumption during the like period last season of 4,358,000 bales. This is the first time this season that total consumption from the beginning of the season has not been larger than during the same period in 1930-31.

The textile situation in the Orient up to the end of April was much better than in most countries and mill activity in Japan was near record levels with spinners and weavers reported as making fair profits. Some Japanese manufacturers are said to be sold out to mid-August due largely to the strong export demand. On the Continent of Europe, political as well as economic conditions have recently disturbed conditions and in Lancashire, England, large unions have recently voted a strike which if carried out will affect 200,000 workers.
Exports of domestic cotton in May showed some seasonal decline but the total of 501,000 running bales for the month was about 49 per cent above May 1931, more than twice as large as May 1930, and the largest for the month since 1928 (Bureau of the Census data). This brought the total movement of American cotton to foreign countries for the ten months this season to 7,898,000 bales, which was 1,652,000 bales or 26 per cent above the corresponding period last season and was the largest for a like period since the (1913-14) season with the exception of 1926-27. Until April and May the Orient took much larger amounts of American cotton than a year earlier, but recently the increase over last year has been due mostly to larger takings by Great Britain and the Continent.

Weather conditions in the domestic Cotton Belt have on the whole been favorable for the development of the new crop during recent weeks, but fertilizer tag sales which in April were only 20 per cent below the same month last year dropped in May to 30 per cent below a year earlier in the 8 principal cotton States excluding Oklahoma. For the six months December through May tag sales in these States were 41 per cent below the like period in 1930-31 and were considerably smaller than in any corresponding period since prior to 1920-21.

Spot prices in domestic markets made further declines during the last half of May and early June, as a result of additional unfavorable developments in the cotton textile industry in the United States and Europe, and the discouraging general economic developments including the decline in the prices of stocks, bonds, and other speculative commodities. On June 9, Middling 7/8 in the ten spot markets averaged 4.76 cents per pound which was a new low for the season and compares with 7.62 cents on June 9, 1931. Spots in New York on June 9 were quoted at 5.00 cents which was 0.31 cents below the low of 1899. In New Orleans, however, the price on June 9 was 4.95 and in 1899 New Orleans spots went as low as 4.75 cents. Since June 9 cotton prices have recovered about 0.14 cents per pound, the ten markets averaging 4.90 cents on June 13. On May 13 the 10 markets averaged 5.34 cents, there having been a net decline for the month of 0.44 cents per pound. Despite the rather marked declines in American cotton and prices of Indian cottons are still relatively about the same as a few weeks back.
## Business Statistics Relating to Domestic Demand

| Year | Industrial production | Factory | Commodity prices | Foreign | In | Industrial and | Stock | Weighted average
|------|-----------------------|---------|------------------|---------|---|----------------|------|------------------|

1/ Federal Reserve Board, 1923-1925 = 100, adjusted for seasonal.
4/ Weighted average of index for eight foreign countries- United Kingdom, Canada, Japan, France, Italy, Germany, China, and the Netherlands, 1926 = 100.
5/ The Annalist. Average of daily rates of commercial paper in New York City.
6/ Dow-Jones index is based on daily average closing price of thirty stocks.