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FARM PRICES

The general level of farm prices is higher than a month ago. Prices of grains, hay, cotton, and dairy products have increased, whereas prices of meat animals are lower than a month ago. "A sharp decline in crop prospects, heavy losses of early crops and, for this time of year, a record low condition of pastures and low levels of milk production per cow and egg production per hen", are shown by the June estimates of the Crop Reporting Board. On June 1 the condition of pastures and hay in some 19 states from Ohio to Nevada and of spring grains in most of these states was the lowest on record.

Cash income from the sale of farm products in April 1934 is estimated at $381,000,000, which is a decline of $26,000,000 from the income realized in March, but this is less than the usual seasonal decline from March to April. In April 1933, farmers realized $311,000,000. Cash income from the marketing of crops after seasonal adjustment was about 5 percent higher in April than in March, whereas income from the sale of livestock and livestock products was slightly lower. Rental and benefit payments in April of only $7,000,000 were the lowest for any month since benefit payments really got under way in September 1933. In the first 4 months of the year, the cash income from the sales of farm products amounted to about $1,595,000,000, compared with $1,184,000,000 in the same months of 1933, an increase of 35 percent. Adding rental and benefit payments of $104,000,000 brought total cash receipts during the first 4 months to $1,699,000,000 or 43 percent larger than in the same months of 1933.

The index of farm prices in mid-May was unchanged from April at 74 compared with 62 percent of the pre-war average on April 15, 1933. Prices of commercial truck crops continued to advance from April to early May to a level about 16 percent above a year earlier. Prices paid by farmers in mid-May are estimated at 121 percent of the 1910-1914 average compared with 120 in April. The exchange value of a given quantity of farm products for a given quantity of commodities bought by farmers consequently declined one point to 61 percent of the pre-war average relationship; the same as a year earlier. The recent rise in farm prices should bring this relationship of prices received to prices paid by farmers in mid-June to above the level of a year ago.

WHOLESALE PRICES

The general level of wholesale prices is now at the highest level in over 3 years. The 1 percent rise in late May and early June, after 3 months of stable prices, is largely the result of higher prices for farm products and foods. The official index number of wholesale prices for the first week in June was equivalent to 108 percent of the 1910-1914 average compared with 93 a year earlier.

Although market prices of farm products have risen considerably of late, they are, on the whole, still below the early March level. Prices of
hides and leather, and of textiles have declined a little in recent weeks, whereas prices of fuel and lighting, house furnishing goods, and building materials have continued their upward trend.

Prices of 10 selected import commodities declined to 160 on June 4 (6 weeks ended April 10, 1933=100) from the recent high of 165 on May 7, whereas prices of 10 selected export commodities at the same time increased from 150 to 154. World wheat prices have increased considerably in recent weeks, whereas the index of prices of 16 other international commodities has fluctuated within a narrow range for the last 4 months.

Wholesale prices in the currencies of the eight foreign countries which take about 75 percent of our agricultural exports declined slightly from February to April. The level of wholesale prices in the eight countries combined fluctuated within the narrow range of 68 to 69 percent of the 1926 average from June 1933 to April 1934.

Wholesale prices in England and Germany were steady to a little lower in April and early May. Prices in France and Italy declined slightly to new low levels in May. Prices in Canada declined about 1 ½ percent from March to April.

BUSINESS CONDITIONS

Industrial production in May was slightly lower than in April even after allowance for seasonal changes. Further increases in iron and steel production were more than offset by declines in the production of automobiles and textiles. Production of coal, petroleum, and electric power made about the usual seasonal changes from April to May. Building contracts awarded during the first half of May were below the unusually low levels of April but improvement in the last half of the month brought the total for the month just slightly above the April total. The Federal Reserve Board's preliminary estimate of the index of department store sales in May was 75 percent of the 1923-1925 average after seasonal adjustment compared with 77 in April and 67 in May 1933. Retail sales of mail order houses and variety stores were a little higher in May than in April. Car loadings declined slightly from April to May after allowance for seasonal changes.

While some slackening in business activity usually occurs in the summer months present indications are that the decline in the summer of 1934 will be slightly more than seasonal. From March to July 1933 industrial activity in the United States increased sharply, the Federal Reserve Board's index increasing from 59 percent of the 1923-1925 average in March to 100 percent in July. This sharp advance was followed by a decline in the index to 72 in November. The increase in industrial activity from November 1933 to April 1934 has been much more gradual than that which occurred in the spring of 1933 and no such marked decline is expected during the summer months of 1934 as occurred from July to November last year. Increased activity in building and public works and further improvement in some of the minor industries will tend to offset any declines in the activity of steel, automobiles, and textiles.

The total value of construction contracts awarded in May was $134,000,000 compared with $131,000,000 in April and $77,000,000 in May last year. Contracts awarded for private construction were slightly larger in May than in April, whereas contracts awarded for public works and public
utilities were somewhat lower. The present low level for contracts awarded cannot be taken as an index of probable construction during the summer months because of the lag between the time contracts are awarded and the time when actual construction takes place. There was a marked pick-up in construction contracts awarded from August to December 1933 due largely to the increase in contracts let for public works and utilities. Actual construction of the projects contracted during this period are now getting under way and may result in increased activity in building during the summer months.

The unadjusted index of employment increased from 80.8 in March to 82.3 in April and the index of payrolls increased from 64.8 to 67.3. Employment in April was approximately 40 percent higher than a year earlier and factory payrolls were 73 percent greater than in the same month last year. Employment and payrolls in New York State factories declined slightly more than seasonal from April to May. Reductions in employment in the textile and clothing industry were only partly offset by increased employment in the building-material and iron and steel industries.

Industrial activity in foreign countries in April also changed little from a month earlier. Industrial production in Great Britain made a slight decline from March to April after the usual seasonal adjustments. Increased activity in the heavy industries was more than offset by declines in textiles, boots and shoes. Retail sales in Great Britain in May were below the previous month for the first time since last September. Indications point to some increase in business activity in France since March; industrial expansion in Germany has been maintained and unemployment has declined. Curtailment of imports has been accompanied by a further decline in exports, and imports still exceed exports. The gold resources of Germany have declined further with the ratio of gold to money in circulation reaching the unusually low level of less than 4 percent. Industrial activity in most of the smaller European countries during the first quarter of 1934 showed improvement over the last quarter of 1933. In Canada, industrial production increased further in April, particularly in steel, motor cars, and textiles. There has also been more than the usual seasonal increase in building activity in Canada this spring. Industrial activity in Japan continues at high levels and China's foreign trade recorded a further improvement in April. In China, however, imports continue to exceed exports.

World trade continues at low levels and, valued in terms of gold, has shown but little improvement during the past year in comparison with the improvement in industrial production in most of the leading countries of the world. The May bulletin of the League of Nations contains a summary of world trade through the first 3 months of 1934. From 1929 to 1933 the trend of world trade was similar to that of industrial production in most countries. For the year 1933 the gold value of imports in 73 countries was 89 percent of the year 1932 and the gold value of exports was 90 percent. The low point in international trade was apparently reached in April 1933 when the total movement of goods in world trade valued in terms of gold was only 32.5 percent of the average for 1929. From April to December 1933 the movement of goods increased about 13 percent. During the first 3 months of 1934 a large part of this increase was lost and in March the gold value of imports was 94 percent of March 1933 and the value of exports was 96 percent of the same month last year.
The wheat crop of the United States is now certain to be so short of domestic requirements that the carry-over of wheat in the United States will be considerably reduced by the end of the next marketing season, and prices are likely to continue considerably above an export basis throughout most if not all of the marketing season. Furthermore, world prices are likely to be at a level somewhat above that of the past season. Should the crops of winter and spring wheat turn out to be no larger than indicated as of June 1, the new crop supply will fall short of domestic requirements by at least 100,000,000 bushels, and the carry-over of old wheat is likely to be reduced to about a normal basis by the end of the season, without exporting any wheat or flour. Prices at times may be high enough to invite imports of small quantities of wheat—particularly of hard spring wheat—from Canada to make up for the short supply of hard spring wheat in the United States.

Wheat prices rose sharply in May after a marked decline. Farm prices averaged 71 cents per bushel in March, declined to under 69 cents in April, and then turned upward, passing above 69 cents by the middle of May. The average prices of all classes and grades in six markets declined from 69 cents on March 31 to 79 cents the third week in April, but turned upward and reached the average of $1.03 for the week ended June 2. The recent advances in market prices suggest that farm prices in June are likely to average about 80 cents per bushel. The sharp decline started in April on the expectation of a new crop more than sufficient for domestic requirements and a necessity for liquidating a large volume of open contracts in the future market. The April decline was brought to an end by the development of droughty conditions which rapidly changed the prospects for the new crop.

Since a carry-over of about 250,000,000 to 275,000,000 bushels is expected in the United States, total supplies may amount to only about 750,000,000 to 775,000,000 bushels. This compares with a probable domestic utilization of about 625,000,000 bushels and with an average carry-over prior to 1929, of about 125,000,000 bushels. Hence, it is altogether possible that the United States carry-over may be reduced to about normal proportions even though there should be no exports during the coming year. It should, of course, be borne in mind that there is still room for an improvement in spring wheat prospects, and such a change would alter the prospect for the 1935 carry-over. Nevertheless, it seems assured that wheat prices in the United States through most of the 1934-35 crop year will continue well above an export basis, except possibly in the North Pacific region.

The winter wheat crop of 400,357,000 bushels, indicated by conditions as of June 1, would be well above last year's short crop of 351,000,000 bushels, but is 37 percent below the average production during the 5-year period 1927-1931. Spring wheat production is still very uncertain because of the heavy loss of acreage in the Dakotas and Minnesota, and because the yield depends largely upon June and July weather. Conditions as of June 1, however, suggest that the crop may be only about 100,000,000 bushels so the total wheat crop may not exceed 500,000,000 bushels. This would be the smallest wheat crop since 1893.

Wheat crop prospects for 1934-35 are generally below those of a year ago, both for importing and exporting countries. The principal exceptions where better crops are expected are China, Manchuria, Japan, and in certain
Mediterranean countries, notably Spain, Portugal, and Tunis. Such increases, however, on the basis of present estimates are much more than offset by the indicated decreases.

In parts of the Canadian Prairie Provinces the crop situation is very serious and a critical stage was reached much earlier than usual. Spring rainfall has been scanty and ineffective, and allied with high temperatures and strong winds has led to serious soil drifting. Rains, however, were received in early June and brought general relief. Grasshoppers are reported developing rapidly and to be causing serious damage in Manitoba and Saskatchewan. Weather studies indicate that while some sections have suffered severely from drought, wheat yields of Canada as a whole will not be nearly so much affected as those of the United States unless June and July should be dry and hot.

In Europe, most countries expect a smaller wheat crop, particularly in the Danube Basin. The Bureau's Belgrade representative estimated a reduction of around 100,000,000 bushels from last year's crop in the four Basin countries as a result of a smaller acreage and below average yields, especially in Rumania. Unfavorable crop conditions in central Europe are also expected to reduce the wheat harvests in Germany and Czechoslovakia. The Bureau's Paris representatives forecast sizable reductions in the French and Italian crops, but some increases for Spain, Portugal, and French North Africa. The latter crop is now being harvested under generally favorable conditions. Total spring seedings in Russia, which generally account for about two-thirds of the total wheat acreage, have made good progress this season, but several important eastern wheat regions are lagging behind last year. Some drought damage in the southern export regions is now officially reported.

The estimate of the Indian crop has been revised downward from 369,563,000 bushels to 350,261,000 bushels, which is practically the same as the 1933 crop. The reduction appears to have been due to generally unfavorable conditions at harvest time.

The Argentine wheat acreage now being seeded is unofficially estimated to be about the same as last year and the 1930-1932 average, according to cabled advices from our office at Buenos Aires. It is estimated that 40 to 50 percent of the wheat area had been seeded by June 1. In Australia the area is estimated at 13,500,000 acres, a reduction of approximately 1,400,000 acres. Unfavorable seeding conditions, particularly in the eastern regions together with the relatively more favorable wool prices than wheat prices have helped to cause the reduction.

The above general statements of conditions may be summarized as indicating that the new 1934 wheat crop of the world, outside of Russia, will be from 5 to 10 percent short of that of the past season, and that Russia probably will have no surplus to contribute to the supply of other countries. It is expected that the carry-over in some European countries will be larger than last year, but the increase there may be offset by the reduction in the United States. The world's wheat supply for the 1934-35 season, therefore, now seems likely to be at least 5 percent less than that of a year ago, and prices in world markets are likely to average somewhat higher than in the past season.
CORN

Corn prices have shared in the general rise of grain prices which has resulted from the drought in the Great Plains area. Oats, barley, and rye have suffered greatly, and the crops of these grains will be small. This, together with shortage of hay and forage, is tending to increase the demand for corn. Drought in the Corn Belt has also contributed to the rise of corn prices, but although considerable damage has been done in some areas the corn crop of the United States, as a whole, seems not to have been seriously affected thus far. Corn prices seem likely to be well maintained during the next few weeks, but the course of prices will depend largely upon the development of the new crop and the marketing of corn now stored against government loans. There may be price declines during late summer and fall if there are heavy marketings of corn stored against government loans, especially if prospects then are for a good new crop.

The United States average price of corn as of May 15 was 48.6 cents per bushel, compared with 47.1 cents a month earlier and 38.9 cents for May 1933. Marked price increases since mid-May indicate that the June 15 farm price will be considerably higher than that of May 15. At Chicago, No. 3 Yellow rose from 47.3 cents the first week of May to 49.9 cents for the second week, and 56.8 cents for the week ended June 9.

Commercial stocks of corn, while larger than in most recent years, continue to decline rapidly. For the week ended June 9 they amounted to 44,066,000 bushels compared with 54,423,000 as of May 5. The 44,066,000 bushels as of June 9 this year compares with 42,528,000 bushels a year earlier and a 5-year average for the corresponding date of 39,116,000 bushels.

Primary market receipts continue low, amounting to only 7,951,000 bushels in May, compared with 26,164,000 bushels last year and an average of 14,819,000 bushels for May of the past 5 years. This rise in corn prices does not appear to have resulted in the repayment of loans or the release of any material amount of corn stored against government loans.

Wet process grindings for the month of May amounted to 5,271,000 bushels compared with 8,862,000 bushels a year earlier and an average of 6,465,000 bushels for May of the past 5 years.

There still remain the two principal uncertainties mentioned last month. The outlook of the new crop is highly uncertain and there is similar uncertainty as to the manner in which the corn stored under government loans will be liquidated. The recent rise in price has increased the possibility of repayment of loans before August 1, but it seems doubtful if a large portion will be repaid prior to that time. The corn crop is still highly uncertain. The drought apparently has not thus far seriously reduced the crop prospects for the country as a whole, and if there is a continuation of the more favorable weather experienced during the first 2 weeks of June, a good crop should be harvested.

The small production of other food grains will tend to increase the demand for corn, especially between now and the time the new corn crop is harvested. This may result in some further advance in corn prices during the next few weeks. In case weather developments during the next 2 months should be adverse to the new corn crop and a short crop
be indicated, it is likely that there will be little decline of corn prices during either late summer or fall, although some real adjustment to a new crop basis is to be expected in any event. If, on the other hand, developments meanwhile are such as to indicate a good corn crop, a decline in prices is to be expected sometime between late July and the first of November. The timing of the decline will depend largely upon the handling of the corn stored against government loans. However, the small production of other feed grains may be expected to reduce the adverse effect on the disposal of such stocks.

POTATOES

Potato prices in market centers declined steadily during May and the first part of June owing to the sharp rise in shipments of the new crop from the Southern Early States. Production in these States is forecast at 19,967,000 bushels or 28 percent greater than a year ago while that in the first section of the Intermediate States, which are not yet shipping, is forecast at 12,677,000 bushels or nearly 41 percent greater than in 1933. Usually prices of new potatoes decline during this period of the year, but with the large supplies of new potatoes now available or to be available for shipment during the next 2 months, the prospects are that the decline this season will be greater than seasonal. The present downward trend may be expected to continue until the northern late crop becomes the predominating supply factor.

Prices of old stock at New York declined from $1.90 per 100 pounds the first week of May to $1.37 the first week of June while those of new potatoes dropped from $3.00 to $1.84. A year ago old stock averaged $1.02 while new potatoes averaged $1.90 per 100 pounds. At Chicago, old potatoes declined from $1.22 per 100 pounds during the first week of May to $1.18 the first week of June. New potatoes dropped from $2.98 to $1.80 during the same period. On June 1, 1933 old stock averaged 96 cents while new potatoes averaged 82.25 cents.

Shipping point prices followed much the same trend as market prices during the past month. Prices of Green Mountains at Presque Isle, Maine averaged 70 cents per 100 pounds during the first week of June compared with 81.13 a month earlier. The 1934 Florida shipping season is about closed and f. o. b. prices at Hastings averaged $4.05 per barrel against $2.92 in 1933. The lower Rio Grande Valley Texas crop averaged $2.36 per 100 pounds this year compared with $1.95 last year. Shipments from North Carolina are just getting started with prices averaging around $2.00 per barrel f. o. b. shipping points.

The United States farm price of potatoes averaged 73.7 cents per bushel on May 15 compared with 83.4 cents on April 15, 43.7 cents on May 15, 1933 and 69.5 cents the May average from 1910 to 1914.

Shipments of new potatoes increased steadily during May, totaling nearly 4,000 cars in the last week of the month. By June 2 this year the movement of new potatoes totaled 17,600 cars against only 14,335 cars to June 3, 1933. On the other hand, shipments of old stock declined during the past month, totaling only 1,400 cars in the last week of May against 1,445 in the corresponding week a year earlier.
The seasonal decline in hog prices which started in early March and continued through April and May ended early in June and prices moved sharply upward the second week in June. Because of wide-spread drought over much of the Western Corn Belt and a very unfavorable hog-corn price ratio, there has been a heavy liquidation of unfinished hogs in recent weeks, with the result that slaughter supplies in May were almost equal to the very large slaughter of May last year. Slaughter of cattle and calves also was unusually large, thus making a record production of meat for the month. Although there may be some further liquidation of hogs in some sections it is expected that the seasonal reduction in slaughter during the next 3 months will be much greater than that of last summer and that it will be accompanied by a greater than average seasonal price advance.

The weekly average price of hogs at Chicago declined from $4.56 per 100 pounds for the week ended March 3, when the peak of the winter seasonal price rise was established, to $3.33 during the week ended June 9 and then rose sharply the following week. Top prices declined less during May than did the average because of increased supplies of unfinished hogs and packing sows. Prices of the latter declined less than did those on light hogs because of a premium paid on weight. The average price of hogs at Chicago in May was $3.51 compared with $3.85 in April and $4.51 in May last year when hog prices advanced sharply following the suspension of gold payments in the third week in April. With the hog processing tax of $2.25 included, the cost of hogs to packers in May was 27 percent greater than in May last year.

Hog slaughter under Federal inspection in May, totaling 4,218,000 head, was 1.6 percent smaller than in May last year but it was nearly 24 percent larger than in April and was the third largest on record for the month. May slaughterings are normally larger than those in April but the increase this year has been exceeded only in 1920. Most of the increase occurred at the markets in or near the Western Corn Belt. Factors accounting for this large slaughter were the earlier market movement of hogs from the fall pig crop, liquidation of hogs from drought areas, sale of breeding sows in compliance with hog-corn reduction contracts, and relatively high prices of feed.

Wholesale prices of fresh pork declined rather sharply during May and in the last week of the month prices at New York were at the lowest levels since early February, but were about one third higher than a year earlier. Cured pork prices on the other hand made a sharp seasonal advance to the highest levels in 4 years. The composite wholesale price of hog products in New York in May was $13.10 per 100 pounds compared with $13.28 in April and $10.56 in May last year.

Despite the large increase in hog slaughter in May, storage holdings of pork were reduced about 14,000,000 pounds during the month compared with an increase of 40,000,000 pounds in May last year and a 5-year average decrease of 18,000,000 pounds. Lard holdings were maintained at about the May 1 level. Storage stocks of pork on June 1, including those held for government account, amounting to 642,000,000 pounds were 4 percent smaller than those of a year earlier and 16 percent smaller than the 5-year average for that date. This is the first time since June 1933 that storage holdings of pork have been below those of a year earlier. Lard stocks
continue relatively large despite increased exports, government purchases for relief purposes, and smaller lard yields from hogs slaughtered. Lard holdings on June 1 amounted to 163,000,000 pounds or 65 percent more than those on June 1, 1933 and 142 percent more than the 5-year average for that date.

Exports of fresh and frozen pork, mainly to Great Britain, continued relatively large during April. Exports of cured pork, however, were relatively small, partly because of the operation of quotas now in force in the United Kingdom. Total exports of pork for the month amounted to 10,119,000 pounds compared with 11,459,000 pounds in April last year and a 5-year April average of 18,090,000 pounds. Lard exports amounting to 39,643,000 pounds were not greatly different from those in March but they were about 1 percent larger than those in April last year and 15 percent smaller than the 5-year average for the month. Exports of lard from the principal ports increased sharply during May, with a large part of the movement going to Great Britain. Total exports of lard from January to April, however, amounting to about 168,000,000 pounds, were a fourth smaller than those in the first 4 months last year, despite the fact that takings by Great Britain were the largest for the period since the World War.

Slaughter supplies of hogs during the remainder of the current hog crop year which ends September 30 are expected to be considerably smaller than the relatively large supplies in the corresponding period of 1933. The proportion of the 1933 fall pig crop already marketed undoubtedly is much larger than that of the 1932 crop disposed of by mid-June last year. Because of the drought and the relatively high prices of feed there has been a tendency to market packing sows earlier than last year and this should be reflected in relatively smaller supplies of such hogs during the late summer. Average weights this summer undoubtedly will be much lighter than those of last summer thus further reducing the supply of hog products for consumption. Hog prices are expected to make somewhat more than the usual seasonal advance but the rise in June may be restricted by further liquidation of unfinished hogs if the drought conditions are not greatly improved.

CATTLE

The movements of cattle prices in May tended to be contrary to the usual seasonal trend during that month. Choice cattle reached the highest levels of the year, with the top on choice heavy steers at the end of the month approaching the $10.00 mark. Prices of common cattle of all kinds tended to decline during the month, whereas they are usually fairly steady or tend to strengthen. Since the first of the year the average weekly price of choice steers at Chicago advanced from about $5.90 to $8.77 the second week in May. After that date the weekly average of all choice steers declined somewhat although choice heavy cattle continued to strengthen. As a result, at the end of May the price spread between heavy and light steers of choice grade was quite wide, especially for that period of the year, and was in striking contrast to the situation a few months earlier when heavy cattle were selling at a marked discount under light cattle.

Common steers and lower grades of butcher cattle reached the highest levels of the year early in May and then declined sharply during the month. At the end of May the average weekly price of choice steers was $1.35 a hundred higher than in the corresponding week of 1933, but the price of
common steers was nearly 50 cents below a year earlier. The average price of all beef steers in May was $6.92, compared with $6.42 in April and $5.64 in May 1933, and was the highest for any month since October 1932. The farm price of beef cattle in May was $4.13, compared with $3.89 in April and $3.95 in May 1933. Low grade cows and bulls by the end of May had declined to about the lowest levels reached in recent years.

Supplies of cattle in May were very large. Both receipts at 7 markets and inspected slaughter were about one-third larger than in May 1933 and 40 percent larger than the 5-year average. Inspected slaughter of calves of 600,000 head was 36 percent larger than May last year, and the largest for all months of record. April and May of this year are the only 2 months on record when calf slaughter has exceeded 500,000 head. These heavy supplies of cattle and calves represented, in part, forced marketings from acute drought areas supplemented by large supplies from other areas where stock water and pasturage are short. The advancing price of corn and hay, and the prospect of short supplies of all kinds of livestock feeds this year also tended to enlarge the movement of fed cattle from most states. The receipts of choice steers at Chicago continued large, being the second largest for the month in 10 years, but the proportion of heavy steers - 1400 pounds and over - was much smaller than earlier in the year when the market was overburdened with long fed cattle of unusually heavy weights.

The course of the cattle market during the next few months will be greatly affected by developments in the drought situation. If the drought continues and grain prices continue to rise as prospects for production this year become increasingly poorer, a considerable liquidation of cattle from feed lots is probable. These, added to the increasing supplies of drought cattle, can be expected to result in continuing heavy supplies. Since the outlet for unfinished cattle will be greatly curtailed, most of the heavy supply will have to go for slaughter. Even if the drought should be effectively broken during the next few weeks bringing improved pastures and better corn crop prospects, heavy marketings of cattle and calves during the next 6 months are to be expected, since under very favorable conditions for the rest of the growing season the supplies of hay and other roughage is bound to be short in many areas, but under these conditions marketings will follow more closely the usual seasonal trend than can be expected under continuing acute drought conditions over large areas.

While fairly large supplies of fed cattle during the next 2 months may halt the continuing upward price movement of the better grades of cattle, such marketings will reduce the numbers available later in the year with resulting further price advances over present levels. Market prices of lower grade cattle will be influenced considerably by the scale of prices at which the A.A.A. is buying cattle in emergency areas. The present schedule offers considerably higher returns for most cattle than these would bring if shipped to market, hence, the supply of drought cattle actually arriving at markets for sale will be limited, but the volume of such cattle coming to all markets for processing for A.A.A. account may be very large. Under these conditions prices for low grade cattle of all kinds for regular distribution may tend to advance from present low levels.

**BUTTER**

With butter production being curtailed by the drought, butter prices have increased at a season of the year when prices usually decline. Total milk production on June 1 was estimated to be 5 to 6 percent less than a.
The drought has resulted in the poorest pasture conditions on June 1 ever reported, and with very short crops of hay and small grains in prospect, which indicate continued light production. The movement of butters into storage has been less than last year, but consumer expenditures for butter have been greater.

Milk production per cow on June 1, reported by crop correspondents, was 15.36 pounds or 7.3 percent less than the low production a year earlier and by far the lowest on record for that date, and 11.5 percent less than the 1928-1929 average. With the exception of the Western States production per cow was the lowest on record in each of the important groups of states. The percentage of cows being milked was also relatively low.

The condition of dairy pastures on June 1 was reported as 53.3 percent of normal compared with 82.5 last year and a 10-year average of 84.7. With the exception of September 1, 1930, this was by far the lowest condition ever reported. Pastures were especially poor in the North Central States.

The price of 92-score butter at New York in May averaged 24.5 cents a pound or 0.8 cents more than in April, and the highest for the month since 1930. Prices in May usually average lower than in April. The farm price of butterfat on May 15 was 21.5 cents, up 0.5 cents from the preceding month and 0.7 cents from the same date in 1933. Farm prices of feed grains in mid-May were also somewhat higher than a month earlier, so that the relationship between the prices of butterfat and feed grains was unchanged. Since mid-May, however, there has been a marked rise in grain prices and relatively little change in butter prices. Butterfat prices are relatively high as compared with other livestock prices. Even though feed supplies are short, dairy cows may get more than their usual proportions of the feed.

Estimated butter production in April of 133,200,000 pounds was 3.4 percent less than a year earlier. This was not as large a decline under the preceding year as in the 3 preceding months, but April production was the lowest for the month since 1928. The increase in production from March to April was somewhat less than the usual seasonal increase. Butter production in May was also less than a year earlier according to weekly reports.

Trade output of butter in April of 136,671,000 was about 1 percent less than a year earlier. Estimated consumer expenditures for butter were 14 percent greater than a year earlier.

Cold storage holdings of butter on June 1 were 27,100,000 pounds. This was 8,000,000 pounds less than on June 1, 1933. The net into storage movement in May was 15,300,000 pounds compared with 25,900,000 pounds in 1933 and a 5-year average of 22,500,000 pounds.

Foreign butter prices continued relatively low, but the margin between domestic and foreign prices is still decidedly less than the tariff. On June 7 the price of 92 score butter in New York was 24.9 cents while New Zealand butter in London was 17.6 cents per pound.
Cheese prices advanced from late April to early June, largely as a result of prospects of low production because of the drought. Storage stocks are large and April production was the largest on record for the month while trade output was less than a year earlier.

Milk production per cow on June 1 in Wisconsin, the most important cheese producing State, was 8.5 percent less than the low production a year earlier, and 15 percent less than the average 1925-1929 production for that date. Pastures are unusually poor in this section of the country. Stocks of hay on farms are low and light production of hay and small grains is in prospect.

In contrast with the relatively low production of butter in April, estimated cheese production in April was 10.5 percent larger than a year earlier, and the largest on record for the month. Cheese prices have been relatively high compared with butter. American cheese production in Wisconsin in April was 7 percent larger than a year earlier. Production in the Pacific Coast States was up 28 percent and in New York State up 39 percent.

The price of cheese (twins) on the Wisconsin Cheese Exchange rose from 10.5 cents in late April to 12.5 cents in early June. The average price in May of 11.4 cents was 0.4 cents higher than a month earlier. This was about the same as the usual seasonal advance between those 2 months.

Trade output of cheese in April was 8.5 percent less than a year earlier. With the increase in retail prices, however, the estimated consumer expenditures for cheese were about 4 percent larger than in April 1934.

Storage stocks of American cheese on June 1 were 57,800,000 pounds, the largest on record for the month, compared with the 5-year average for June 1 of 46,500,000 pounds. The net into-storage movement in May was relatively high.

EGGS AND CHICKENS

Egg prices averaged practically the same in May as in April whereas chicken prices to producers advanced slightly. Receipts of eggs for May were the lowest for the month in many years, though poultry receipts were about average. An important depressing factor in the egg price situation is the sharp drop in consumption which has occurred this spring. This tends to increase storage stocks above what they otherwise would be and hence makes for relatively low prices in the early fall. However, with fewer laying birds than the year before, a moderately larger storage supply might be necessary to meet normal consumption requirements next fall and winter.

The price of specially packed midwestern eggs at New York averaged 19.4 cents a dozen in May, the same as a month before and 3 cents more than in May 1933. Farm prices of eggs dropped slightly, however, from 13.5 cents on April 15 to 13.3 cents on May 15. A year before the price was 11.8 cents. The farm price of chickens continued its seasonal rise from 11.1 cents a pound on April 15 to 11.2 cents on May 15, or 0.8 of a cent more than on May 15, 1933. The normal seasonal course for egg prices during the next 2 or 3 months is for very little sustained advance, while the farm price of chickens in most years declines.
Receipts of eggs at the four markets during May were 1,856,000 cases as compared to 2,428,000 cases a year before and a 5-year average for May of 2,298,000 cases. Relatively high food costs and high chicken prices together with the more direct effects of the drought have reduced receipts. This reduction is likely to continue for several months. It has been responsible to some extent for the lower level of consumption.

Receipts of dressed poultry at the four markets during May were 19,200,000 pounds as compared to 22,700,000 pounds a year before and a 5-year average of 19,400,000 pounds. This is somewhat more than the usual increase in receipts for May, but those of April were abnormally low. Drought is tending to reduce flocks and increase marketings.

Cold storage stocks of shell eggs on June 1 were 7,815,000 cases as compared to 8,062,000 cases a year before and a 5-year average of 7,442,000 cases. Stocks are increasing slightly more rapidly than the 5-year average, though not as much so as last year. Storage stocks of frozen poultry on June 1 were 39,620,000 pounds as compared with 38,100,000 a year ago and a 5-year average of 44,200,000 pounds. Storage holdings of poultry are usually a principal source of supply until late summer. Being below the 5-year level will tend somewhat to reduce the seasonal decline in chicken prices.

**LAMBS**

Lamb prices moved seasonally downward during May and early June, although the decline was interrupted at intervals by temporary sharp upswings. Factors affecting the price movement were the practical exhaustion of the supply of lambs from feed lots, the falling off in the volume of east-bound shipment of California spring lambs, seasonally increasing receipts of native spring lambs, large receipts of unfinished, lightweight new-crop lambs forced to market from drought areas, and labor disturbances, in the wholesale meat trade in important centers. Market supplies of lambs during the next 2 months are expected to be relatively large and will probably include a larger proportion of unfinished lambs than in the same period of 1933.

Prices of Good and Choice, old-crop fed lambs at Chicago averaged $8.81 the first week in May. Liberal receipts, together with a slow demand in the wholesale meat trade, caused the average to decline to $8.06 the week ended May 20. A sharp advance during the last week of the month was followed by another decline in early June. The average price of Choice spring lambs during the second week of May was $10.98, compared with $7.50 a year earlier. Prices were sharply lower the following week but most of this decline was recovered the last week in the month. Prices again broke sharply during the first week in June and brought the average down to $8.86. This was $2.10 less than 4 weeks earlier and 75 cents higher than a year earlier.

Prices of dressed lamb at New York fluctuated in about the same manner as prices of live lambs at Chicago. Unusually large offerings of low grade, lightweight carcasses together with a strike of meat handlers employed by wholesale distributors in New York City in early June tended to demoralize trading in the wholesale markets in that city.

Federally inspected slaughter of sheep and lambs in May totaled 1,244,491 head. This was an increase of 80,592 head, or 6.9 percent over April, and a decrease of 360,299 head, or 17.3 percent under May 1933.
The slaughter in May this year compared with that of May 1933 was due largely to smaller supplies of fed lambs and to the fact that the movement of new crop lambs from the Southeastern States was delayed.

Conditions indicate that the 1934 lamb crop probably will not be greatly different from that of 1933, but with drought conditions tending to force lambs to market earlier than usual from much of the western sheep area, and southeastern lambs late in moving, marketings during the next 2 or 3 months are expected to be relatively large. Supplies will include a large proportion of low quality lambs and this will result in an unusually wide price spread unless drought conditions are greatly relieved, thus insuring a more promising outlook for food supplies and a better demand for feeder lambs than is now indicated.

WOOL

The decline in the domestic mill consumption of wool in recent months and the present inactivity in the wool goods market may result in some further weakness in domestic wool prices in the summer months, although no marked decline is in prospect. Reports indicate that apparent supplies of wool abroad are smaller than a year ago, but it now seems probable that the domestic wool clip in 1934 will be about as large as that of last year. The inactivity which has characterized the domestic market since February continued through May and early June. Further slight declines in prices, chiefly on fleeces wools, were reported during May. The continued weakness in domestic wool prices may be attributed largely to the low rate of activity in the wool manufacturing industry and to the uncertainty regarding fall consumption. Foreign wool prices also continued to weaken during May.

Trading in new clip wool continues very slow. Only 15,000,000 pounds of domestic wool were reported received at Boston in April and May of this year, whereas last year receipts for that period were 24,000,000 pounds and the average for those months in the years 1928-1932 was 27,000,000 pounds. The tendency of growers, particularly in the Western States, to withhold wool from sale may have had a stabilizing effect in the eastern market.

Foreign markets show little change. The present selling season is practically over in Southern Hemisphere centers. The extension to June 30 of the German embargo on import purchases of wool and semi-manufactures has made the outlook in European countries very uncertain and trading and manufacturing activity have declined in England and France.

Quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 64.5 cents a pound, scoured basis, for the week ended June 9. This was a decline of only 1/2 cent a pound from the average for the week ended May 12. The price of this wool averaged 68 cents a pound in the week ended June 10, 1933. Territory 3/8 blood (56s) averaged 78 cents a pound scoured basis the first week of June 1934, compared with 79 cents a pound for the week ended May 12 and 61 cents a pound for the week ended June 10, 1933. The United States average farm price of wool was 23.4 cents a pound on May 15 compared with 26.2 cents on April 15 and 17.7 cents on May 15, 1933.

Consumption of wool by United States mills reporting to the Bureau of the Census in April was considerably smaller than in March and was also smaller than in April 1933. The index of consumption of combing and
clothing wool (grease basis) adjusted for seasonal variation was 64 (1923-1929 = 100) in April compared with 72 in March and in April 1933. Consumption of such wool in the first 4 months of this year was smaller than in any recent year with the exception of 1932. Consumption of carpet wool also declined in April but consumption for the first 4 months of the year was greater than in the same period of 1933 and 1932. Advance fall buying in the wool goods market is reported to be slow. The New York Wool Top Exchange Service reported, however, that a slight improvement was evident in the goods market the first week of June.

United States imports of combing and clothing wool for consumption, which include withdrawals of wool from bonded warehouses, were 12,729,000 pounds in the first 4 months of 1934 whereas imports of carpet wool were 39,341,000 pounds. Corresponding monthly figures for 1933 are not available but general imports, minus reexports for those months show net imports of 2,328,000 pounds of combing and clothing wool and 18,020,000 pounds of carpet wool.

Supplies of wool from Southern Hemisphere countries in the 1933-34 season now drawing to a close were smaller than in the previous season due to a decline in production and a smaller carry-over. On May 1 apparent supplies in the five principal Southern Hemisphere countries were approximately 24 percent lower than at the same date of 1933 and 36 percent below that date of 1932. The decline in exports of wool for the season up to May 1 compared with a year earlier was approximately 8 percent. Total exports to May 1 from the five principal Southern Hemisphere countries were approximately 1,571,000,000 pounds compared with 1,708,000,000 pounds in the same period of the previous season and 1,481,000,000 pounds in the 1931-32 season.

COTTON

Domestic cotton mill activity was well maintained during May despite the low level of sales and the continued reduction in unfilled orders. However, for a period of 12 weeks beginning June 4 the maximum number of hours most of the machinery is to be permitted to operate under the NRA code is 25 percent below the previous maximum and this may reduce cotton consumption 10 to 15 percent. During the first part of June domestic sales of cotton textiles improved somewhat. Foreign mills on the whole continued fairly active during April and May. From May 1 to June 9 domestic cotton prices advanced almost 1-1/2 cents per pound and on the latter date Middling 7/8 inch cotton in the ten markets averaged 12.12 cents, the highest for nearly 3 months. Due to the unusually high exports in May last year and to Germany's temporary prohibition on cotton imports, domestic exports in May this year were 52 percent less than a year earlier. Weather conditions in the domestic Cotton Belt have on the whole been fairly satisfactory this season. Preliminary reports indicate that the 1934-35 cotton acreage in at least some of the important foreign countries will be larger than last year.

Although domestic cotton consumption in May was well maintained compared with the months immediately preceding, it was 16 percent less than the unusually high consumption of May last year, but 57 percent higher than

1/ Production plus carry-over minus exports. No deduction made for comparatively small quantities consumed locally.
in May 1932. Total consumption of all cotton for the month amounted to 520,000 running bales compared with 513,000 bales in April and brought the total for the 10 months ended May 31 to 4,978,000 bales, or 139,000 bales more than for the same period last season. Trade reports indicate that sales and shipments of cotton goods during May were less than production causing a further accumulation of stocks and a decrease in unfilled orders. The continued reduction in unfilled orders and the fact that activity is usually reduced somewhat during the summer months are given as the reason for the enforced reduction which began June 4. Under the terms of the Cotton Textile Code of the NRA the maximum number of hours the machinery is permitted to operate was reduced from 80 to 60 hours per week for a period of 12 weeks. It has been unofficially estimated that this would reduce consumption about 10 to 15 percent. With the beginning of the curtailment and the continued strengthening of cotton prices, sales of cotton goods apparently increased during the first week of June.

Mill activity in foreign countries probably averaged slightly lower in May than in the preceding months, though total cotton consumption outside the United States was probably somewhat larger than in May last year. Activity in Japan continued at near record levels and in Germany mills were more active for this season of the year than for several years.

Total exports of American cotton from August 1 to May 31 amounted to 6,769,000 running bales, a decline of about 344,000 bales compared with the like period last season. During the first 9 months of the season exports were only 36,000 bales less than a year earlier but owing to the unusually heavy exports in May last year (with the speculative buying growing out of the improvement in the general business outlook) and Germany's temporary prohibition on cotton imports the 285,000 bales exported in May this year were nearly 307,000 below those of May 1933.

From May 1 to June 1 the average price of American Middling 7/8 inch cotton in the ten designated markets about 1 cent per pound. During the next few days there was a further advance of almost one-half cent with the ten markets on June 9 averaging 12.12 cents, the highest since the middle of March; nearly 2.0 cents above the average for June 1933, and nearly 2-1/2 times as high as the average in June 1932 of 4.99 cents. On May 24 the average price of three types of Indian cotton at Liverpool (Brock, Omra, and Sind) was 73.3 percent of the average of American Middling and Low Middling. The average ratio of Indian to American in April was 69.2. Compared with recent years, Indian is still cheap relative to American. In May last year the ratio was 82.4, in May 1932 it was 88.1, and in May 1931 it was 74.9.

On the whole weather conditions in the Cotton Belt have been fairly favorable during most of the present season though during May and the first 10 days in June rainfall in the Eastern States was considerably above normal and in Texas and Oklahoma was considerably below normal.

Unofficial reports from Egypt indicate that the 1934-35 acreage will be higher than that of last year and the same is indicated for Mexico. In Russia, plantings have been running ahead of last year so that the planned acreage may be executed in full. The plan, however, calls for an acreage 6 percent less than the plan for 1933-34.
Business statistics relating to domestic demand

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1/ Federal Reserve Board index, adjusted for seasonal variation.
3/ United States Department of Agriculture, August 1909-July 1914 = 100
5/ Weighted average of index for eight foreign countries - United Kingdom, Canada, Japan, France, Italy, Germany, China, and the Netherlands.
6/ The Annalist. Average of daily rates on commercial paper in New York City.
7/ Dow-Jones index is based on daily average closing prices of 30 stocks.