The severe drought which covers nearly every state west of the Mississippi River except the Northwestern Pacific Coast States and extends into a large part of the Corn Belt east of the Mississippi River is the dominating factor in the price situation for agricultural products. Prices of farm products are advancing as crops deteriorate. The index of farm prices advanced from 77 in June to 80 in July and market prices indicate an even greater advance from July to August. The severeness of the drought is indicated by the fact that the corn crop this year is the shortest since 1887, the oats crop the shortest since 1882, the tame hay crop the shortest since 1895, and the wheat crop the shortest since 1890. Due to the large carry-over of wheat into the 1934-35 crop season total supplies of wheat will be large enough for domestic requirements, and supplies of most other food crops, while slightly below the 5-year average, are slightly above those of 1933. Consequently, there will be no serious shortage of food although surpluses will be reduced.

The most acute shortage is in the supply of feed crops. The extremely poor pastures over large areas and the short supplies of feed are resulting in the liquidation of meat animals and poultry and have greatly reduced the supplies of dairy products and eggs moving to market. Over 2,500,000 head of cattle have already been purchased by the Agricultural Adjustment Administration. Present plans are to purchase an additional 5,000,000 head of cattle and 5,000,000 head of sheep and goats to relieve the feed situation in the drought areas. In addition to the purchases by the Government, the farmers in the drought areas are curtailing their herds by selling through the regular marketing channels, and the slaughter of cattle has reached the highest level on record for the summer months. This liquidation of cattle is resulting in a larger than usual supply of meat at the present time, but is likely to result in an unusual shortage of meat during the winter and summer months of 1935. The sharp curtailment in the supplies of dairy products is likely to continue through the remainder of 1934 and at least until the beginning of the pasture season of 1935. There have also been heavy marketings of poultry in recent months which are likely to be followed by smaller than average supplies of both poultry and eggs later in the season. The marked curtailment in hog production this year will result in an unusually small supply of pork during the winter and spring months. Thus it seems likely that the supplies of meat, dairy products, poultry and eggs during the coming winter and spring will be the shortest in several years.

The abnormal production and marketing of agricultural products brought about by the drought has resulted in marked price changes during the past month. The further deterioration of crops during July has been accompanied by a marked rise in the market prices of grains, hay, and cotton, and hog prices have made more than the seasonal rise. Heavy marketings of cattle have been accompanied by some price declines but the prices of butterfat and eggs have made more than the usual seasonal advance. It is thus evident that the level of farm prices is now somewhat higher than mid-July and is the highest since early in 1931. During the next few months prices of grains are likely to continue relative-
ly high or to advance further and probably will be accompanied later by a marked raise in the prices of livestock and livestock products.

The sharp rise in prices of farm products during June and July has been accompanied by heavier than usual marketings and farm income has increased more than seasonally. It is probable, however, that when the liquidation of livestock is over and the shorter supplies from the 1934 crop begin to move to market in volume that farm marketings will be below average, but price advances will tend to offset the decline in the volume of products sold and thus maintain the level of farm income.

WHOLESALE PRICES

The general level of wholesale prices during July remained at 109 percent of the 1910-1914 average, the same as in June. Declines in the prices of hides and leather, building materials and metals during July were offset by increases in prices of fuel and lighting products. In the first week of August prices advanced one-half of 1 percent as advances in farm and food products and building materials more than offset declines in hides and leather and textile products.

Wholesale prices in England from the second week in July to the first week in August advanced about .7 of 1 percent. The downward trend in wholesale prices in France and Italy continues.

BUSINESS CONDITIONS

Industrial production in July was apparently about 5 percent lower than in June. Present indications are that the level of industrial production in August will be about the same as in July and that a moderate pick-up in business activity may be expected during the fall months. The decline in business activity during July was accompanied by some decline in employment and payrolls but it is expected that the consumer demand for farm products during the remainder of 1934 will be greater than during the same period in 1933. This should tend to hold income from farm marketings during the last half of 1934 at about the same levels as in 1933. The recent nationalization of silver increases the metallic base behind the money in circulation and will tend to further increase commercial bank reserves. However, this is not likely to have any immediate effect upon business activity. As surplus reserve funds have continued to accumulate in banks and are now in excess of legal requirements by $2,000,000,000.

The sharp decline in industrial activity during the first week of July was followed by only a moderate recovery in the following weeks. The level of steel mill activity in July was only about half as high as in June. Automobile production increased sharply the second week of the month but has since continued to make slightly more than the usual seasonal decline. The automobile industry is nearing the period when new models will be introduced and it is probable that from now until 1935 models appear, automobile activity will continue to make at least the usual seasonal decline. The indexes of electric power and freight car loadings also declined during July. The restriction in textile mill activity continued through July and according to agreement will be continued through August, but sales are exceeding production, thus reducing inventories, and this together with the upward trend in cotton prices is likely to result in improvement in textile activity during the fall months. Production of other consumers' goods such as food
products, boots and shoes, and automobile tires have shown declines since May. The manufacture of food products is temporarily stimulated by unusually heavy slaughter of cattle.

The daily average of construction contracts awarded during the first 3 weeks of July was slightly higher than in June due largely to the increase in contracts awarded on private non-residential contracts.

Retail sales during July have continued the seasonal decline begun in June. The retail sales of automobiles during July compared favorably with those of June but department store sales declined from 74 percent of the 1923-1925 index in June to 72 in July, according to the Federal Reserve Board's seasonally adjusted index. The drought is apparently adversely affecting retail sales in agricultural areas. According to a report of the Department of Commerce, the daily average sales of general merchandise in rural areas by mail order houses and chain stores showed a decrease in dollar volume from May to June of 8 percent, and from June to July of 15 percent. However, at least a part of this decline was probably seasonal. Sales in June were 10 percent larger and in July 6 percent larger than for the corresponding month of 1933.

Business activity in many foreign countries during July was disrupted by political uncertainties, and prospects in most countries do not point to a rapid expansion of business activity in the near future. In June business activity in England advanced to the highest point since March 1930, according to the Economist Index, due largely to increases in foreign trade and building activity. The volume of construction in England in June was the highest on record. Reports from Canada, Argentina and South Africa also indicate further improvement in business activity, partly as a result of higher grain prices, but there has been some decline in Australia because of the sharp decline in wool prices. Business activity in France, Belgium and Holland is declining and the expansion of business activity in Germany appears to have been checked during July. The loss of foreign trade in Germany has been only partially offset by a slow gain in domestic activity sponsored by government aid. Industrial production in Japan has shown no marked decline but the growing number of restrictions on Japanese goods is retarding foreign trade. A further decline in raw silk prices is causing considerable distress in the agricultural areas of Japan.

WHEAT

United States wheat prices now seem likely to remain at about July levels through most of the 1934-35 marketing season, retaining much of the gain made up to early August. Small changes in crop prospects and disposition of the Pacific Coast surplus, however, may be expected to result in large price fluctuations, since the supplies in the United States are about equal to probable domestic utilization plus a normal carry-over. With short supplies of hard spring and durum wheats, prices east of the Rockies are likely to be high enough to invite imports, especially of durum wheat. Production in and exports from the Southern Hemisphere will become more of a price movement factor later in the season.

The world wheat carry-over now appears to be about the same as last year and the new world crop, excluding Russia and China, about 440,000,000 bushels less than last year. Approximately 330,000,000 bushels of the crop reduction is in the Northern Hemisphere and 110,000,000 in the Southern Hemisphere. The Canadian crop is now indicated at about the same as last year. Based on reports from 27 countries, Europe, excluding Russia, appears to have a re-
duction of about 330,000,000 bushels compared with last year of which about 115,000,000 is in the Danube Basin. Northern Africa and Asia may each have an increase of about 15,000,000 bushels. Argentina's crop is estimated to be about 50,000,000 bushels short of last year.

The United States carry-over is now estimated at 290,000,000 bushels, which together with the estimated production of 491,000,000 indicates a total domestic supply of 781,000,000 bushels. This compares with a probable domestic utilization of about 625,000,000 and would leave a carry-over from domestic supplies at the end of the season of about 156,000,000 if there are no net exports. It seems likely, however, that greater than average amounts might be fed in certain drought stricken areas in which case prospective utilization would be correspondingly increased and carry-over decreased. Hard red winter carry-in and production is estimated to be about 345,000,000 bushels; soft red winter 195,000,000; hard red spring 130,000,000; durum 15,000,000; and white wheat 95,000,000.

An analysis of the prospective supply and distribution by classes indicates that there will be a shortage of hard red spring and durum wheat and a surplus of hard red winter and white wheats. Hard red winter can be substituted in many cases for hard red spring, but the substitution of hard red winter for durum is less satisfactory. With a somewhat restricted consumption of hard red spring wheat and a large use of hard red winter, combined with a very small carry-over at the end of the year, large importations of hard red spring may not be necessary. However, in the case of durum wheat, with a domestic utilization of about 20,000,000 and a carry-in and production totaling only about 15,000,000, it will be necessary to import considerable amounts of durum from Canada. Only the case of white wheat does there seem to be a burdensome surplus. White wheat from the Pacific Northwest may be substituted to some extent for soft red winter east of the Rockies, but it appears that the supply of soft red winter is large enough to take care of a fairly large domestic utilization. It appears likely, accordingly, that while we may need to import durum, we may export white wheat.

Wheat prices in the United States, as well as in European countries where prices are not fixed by law, have been strongly influenced by the unfavorable crop prospects throughout the Northern Hemisphere. Adverse growing conditions, especially in Canada and in the spring wheat area of the United States resulting in prospective reduced supplies, have been responsible for much of the recent rise.

The rise in market prices of wheat in the United States during July was shared by all classes with one minor exception. No. 2 Hard Amber at Minneapolis after rising from a $1.10 level for the week ended July 7 to a $1.39 level for the week ended July 21, dropped to a $1.35 level a week later, only to recover at a $1.40 level for the week ended August 1. No. 2 Hard Winter at Kansas City rose from an 88 cent level for the week ended July 7 to a 90, 99 and 100 cent level for the second, third and fourth weeks, respectively, and was at a $1.04 level for the first week in August. During the same 4-week period No. 1 Dark Northern Spring Minneapolis rose from a 97 cent level to a $1.17 level; No. 2 Red Winter at St. Louis from 99 to that of 99 cents, and western white at Seattle from 74 to 88 cents. Prices in foreign markets reacting to the prospects of shorter supplies, rose almost as much as in the United States. Evidence of this fact is that December futures at Liverpool averaged 13.5 cents higher the first week in August than the first
week in July as compared with a 14.2 cent rise in December futures at Chicago for the same period. Prices in the United States continued to rise until on August 11 when they fell the 5 cent limit.

The United States average farm price of wheat as of July 15 was 78.8 cents compared with 78.9 cents a month earlier, and 86.9 cents in July 1933. Market price changes since mid-July indicate that the August 15 average farm price is likely to be considerably higher than that prevailing in mid-July.

The United States crop, indicated to be about 135,000,000 bushels smaller than domestic utilization, will likely result in prices being maintained well above world markets throughout most, if not all, of the current season. December futures at Chicago averaged 12.4 cents higher than Liverpool for the week ended August 11. For the week ended July 21, the spread averaged as much as 16.3 cents. Liverpool prices have risen in recent weeks largely because of the reported damage to the Canadian crop. If present prospects for Canadian production are borne out, it seems likely that world prices will remain well above July levels. This would mean that prices in the United States are likely to retain much of the gain made up to early August.

Corn prices advanced sharply in July and early August as the crop deteriorated. Until the final outturn of feed crops and possibilities and effects of various feeding adjustments can be determined, prices will tend to fluctuate widely. With the movement of the new crop, there will be some recession from a summer peak, but this seasonal decline is likely to be less than usual due to the extreme shortage of feed and hay, while the reduction in hog numbers will probably tend to limit the subsequent seasonal rise during the winter and early spring. The supply of feed grains for the 1934-35 season is the smallest since 1881, resulting in a shift of emphasis from artificial crop reduction to the economical handling of the feed problem and the serious implications of the shortage. Demand for feed grains continues restricted by the high price of feed relative to the price of livestock and livestock products. Reduction in animal numbers through government purchases and a small hog crop are also influencing factors. The maturity date of the Government loans on corn is September 1. If this date is extended, the release of corn stored against the loans will be delayed, thereby tending to maintain corn values.

The United States average farm price of corn as of July 15 was 59.2 cents per bushel as compared with 56.0 cents a month previous, and 55.4 cents in July 1933. Price advances compared with a year ago were confined largely to the West North Central and West South Central States; declines were predominant in the Eastern and South Atlantic States. Market prices lost ground early in July with No.3 Yellow at Chicago receding from 60.5 cents per bushel on July 1 to 58.6 cents by July 10, but were on the uptrend during the remainder of the month and early in August. This grade averaged 70.7 cents during the week ended August 4 and 75.6 cents on August 8.

The corn crop deteriorated materially during July, and on August 1 was estimated at 1,607,000,000 bushels. Deterioration during the month was at a daily rate of about 16,000,000 bushels, with the decline in condition greater in the last part of the month than in the first half. Conditions remained unfavorable during the early part of August. Greatest damage to the crop during July and early August occurred in Nebraska, Kansas, Arkansas, Oklahoma, Texas, Colorado, South Dakota, Missouri, southern Iowa, and west central Illinois.
Oats, barley and grain sorghums also suffered, and on August 1 production of these grains was forecast at 545,000,000, 119,000,000, and 54,300,000 bushels, respectively. Total United States 1934 supplies of the four major feed grains are 70 percent of last year, and only 53 percent of the 5-year (1929-1933) average. In the East North Central States the feed grain production is 71 percent of the average and in the West North Central States 41 percent.

The prospective 1934-35 production of by-product feeds is restricted because of the small supply of cottonseed and flaxseed. Stocks of cottonseed and of cottonseed cake and meal at mills, August 1, were smaller than a year ago, but these were partly offset by the slightly larger mill stocks of flaxseed. The hay crop is exceedingly short due not only to the drought but also to the necessity of using a large proportion of the hay lands for pasture when the usual pastures failed. Reduction of the hay crop to 53,671,000 tons is being partly offset by emergency forage crops. Straw and corn stover supplies will be the smallest for many years.

Markets of corn increased sharply in the last half of July and early in August. The July receipts at 13 markets totaled 28,400,000 bushels against 9,490,000 bushels in June. During the week ended August 4 receipts at these markets amounted to nearly 11,000,000 bushels. The sharp advance in prices induced farmers to sell and permitted the release of much corn held against government loans. A year ago when No.3 Yellow corn at Chicago rose from 23 cents in February to 56 cents in July, market receipts increased from slightly over 13,000,000 bushels in the former month to 46,400,000 bushels in the latter. The recent heavier movement of corn to market increased commercial stocks to 51,117,000 bushels on August 11, compared with 35,830,000 bushels a month earlier. A year ago 64,200,000 bushels were in store. The July marketings of oats totaled 3,600,000 bushels compared with 2,600,000 bushels a month ago. As was the case in June, shipments from markets exceeded receipts, thereby causing a decrease in commercial stocks which on August 11 aggregated 23,712,000 bushels. A year ago 38,200,000 bushels of oats were in store in this position.

Wet-process corn grindings for domestic consumption during July totaled 5,721,000 bushels compared with 6,738,000 bushels in June. Approximately 49,543,000 bushels have been handled by the wet processors this season which includes the November 1933 record grind as against 55,309,000 bushels in the same period last year. Recent slackening in textile activity and the enlarged imports of duty-free tapioca have reduced the demand for cornstarch, the major product of the refiners. A seasonal pick-up in grind usually occurs in the fall months as manufacturers prepare for the winter syrup and candy trade.

**POTATOES**

Potato prices declined seasonally during the first half of July but, owing to a sharp drop in weekly car-lot shipments and unfavorable late-crop conditions, prices recovered sharply during the first week of August. Most of the gains, however, were made in western markets, where nearby supplies are scarce at this season. Late-crop shipments are expected to increase seasonally, and the immediate trend of prices is expected to be slightly downward unless the late crop suffers further damage from the drought and heat.

The August 1 forecast of the total United States potato crop was 327,000,000 bushels, or only 2 percent above the relatively short crop of 1933 and 10 percent below the 1927-1931 average production. The Early and Intermediate States are harvesting crops 8,500,000 and 4,600,000 bushels respectively larger than
a year ago, but the crop in the 30 Late States is now expected to be about 6,500,000 bushels smaller than in 1933. All of the decrease in the late crop occurs in the 10 Western Surplus States, for which the forecast is more than 13,000,000 bushels below the estimate for last year. The three Eastern and five Central Surplus States have crops larger than a year ago, while the 12 other Late States have prospects for a crop about the same as in 1933. Showers falling since August 1 in many of the important Late States are expected to increase the crop prospects in these areas and add to the total supply of late potatoes.

Supplies of potatoes for immediate shipment are shifting from the Virginia-Maryland area to New Jersey, Long Island, Idaho, and other early crops of the Northern Late States. The total car-lot movement has decreased from more than 5,000 cars per week to only slightly more than 2,000. Car-lot shipments of the 1934 crop totaled 59,000 cars to August 4, compared with 44,000 cars to August 5, 1933.

Potato prices at New York declined seasonally during most of July, from $1.44 to 93 cents per 100-pound sack (street sales), but recovered to 95 cents during the first week of August. During the corresponding week a year ago they averaged $2.38. At Chicago the decline during July was from $1.59 to $1.17 per 100-pound sack, but there was a sharp recovery to $1.40, which compares with $2.35 a year ago. The only shipping point prices available at this time are those for New Jersey, which are quoted at $1.00 per 100-pound sack.

The United States farm price averaged 66.9 cents per bushel on July 15, compared with 64.4 cents on June 15, 97.9 cents on July 15, 1933, and 81.5 cents the July average for 1910 to 1914.

**TOBACCO, FLUE-CURED**

Prices for flue-cured tobacco at auction warehouse markets, which opened for the 1934-35 season in Georgia on August 1 and in South Carolina on August 9, showed marked improvement over the prices prevailing a year ago and averaged higher than during any season since 1927. Prices on the Georgia markets (type 14) averaged 22.6 cents per pound compared with 13.2 cents during the opening week of last year, 10.2 cents in 1932, and 7.3 cents in 1931, according to state reports. Press statements indicate the opening prices on the South Carolina and Border Belt markets (type 13) were at about the same level as those in Georgia.

Total supplies of flue-cured tobacco in the United States at the opening of markets this year, estimated at 1,300,000,000 pounds, showed a reduction of 118,000,000 pounds or 8.5 percent below the supplies of a year earlier and were 9 percent below the 5-year average. Production was estimated as of August 1 at 527,000,000 pounds which is 210,000,000 pounds smaller than the 1933 crop and more than 100,000,000 below the world consumption of this tobacco. Stocks showed an increase during the year, as a result of the large crop of 1933, but this was more than offset by the reduction in the 1934 crop. More than 95 percent of the growers of flue-cured tobacco are reported to be under contracts with the Agricultural Adjustment Administration, which call for an aggregate reduction of nearly 30 percent from a base approximately equal to the last year's production. Weather conditions have been generally favorable and there has been only a moderate amount of drought damage, chiefly early in the season.
World consumption of flue-cured tobacco during the year ended June 30, 1934 showed little change from a year earlier. Domestic consumption increased nearly 5 percent during the year, chiefly because of the increase in the use for cigarettes, but foreign consumption declined slightly. About 30 percent of the total world consumption of flue-cured tobacco is used in cigarettes in the United States. Approximately 60 percent of the consumption is in foreign countries, chiefly in the form of cigarettes and smoking mixtures.

Exports during 1933-34 totaled 380,000,000 pounds (farm sales weight), which represents an increase of 22 percent over the exports of a year earlier and 14 percent over 2 years earlier, but is about 10 percent below the 5-year average. The quantity exported last year exceeded foreign consumption for the first time since 1930-31.

The 1934 flue-cured crop is being marketed without the aid of a marketing agreement. According to reports of the Agricultural Adjustment Administration, when the domestic buyers were invited to enter into a marketing agreement for this crop, as was done in the case of the 1933 crop, the buyers stated that, owing to the improved supply situation, they were confident the price would average "above parity" without any such action being taken. Opening prices for the 1934-35 season were about 50 percent above parity.

HOGS

Hog prices held fairly steady during July, following the sharp rise during the middle of June, and then continued upward during the first half of August. Unusually high temperatures over wide areas, rising prices for corn, and the very unfavorable prospects for the crop this year, together with water shortage in some sections, caused some forced selling of hogs in July and served to check the seasonal rise that started in the previous month. Although some further liquidation of hogs in the more critical areas is likely, the seasonal decrease in slaughter until the new marketing season begins in late September is expected to be much greater than that of last year, hence the upswing in prices now underway probably will make some further progress before the fall decline begins. Because of the large reduction in the 1934 pig crop the fall decline in hog prices this year is expected to be much less than average.

The weekly average price of hogs at Chicago during July fluctuated between $4.33 and $4.56 per 100 pounds, the average for the month being $4.49. The June average was $4.09 and that for July 1933 was $4.41. As a result of a decrease in marketing and some improvement in consumer demand for meats, following a moderation of temperatures, prices strengthened in early August and the Chicago average during the second week of the month was $4.75, and the top price on August 14 of $5.75 was 20 cents higher than the top reached in either 1933 or 1932 and was the highest price paid at that market since October 1931.

Inspected hog slaughter in July, totaling 3,323,440 head, was about 12 percent smaller than in June, and 15 percent smaller than in July last year, but was 2.2 percent larger than the July 5-year average. The slaughter supply included a larger-than-usual proportion of light weight, unfinished hogs and also a larger than seasonal proportion of packing sows as the shortage of feed and scarcity of water in much of the Western Corn Belt forced considerable market liquidation of hogs in that area. The July average weight at seven leading markets (weighted) was 240 pounds, compared with 235 pounds in June, and 254 pounds in July last year. The hog-corn farm price ratio still continues
near record low levels, the figure for July being 6.7 compared with 7.2 in July last year and 11.0 the 10-year average for the month. With hog prices so low in relation to feed prices, they provide little inducement for producers to feed hogs to heavy weights.

Wholesale prices of fresh pork during July lost most of the sharp rise made in June, but a considerable part of the decline was recovered during the second week in August when temperatures moderated and supplies were curtailed. Ham and bacon prices advanced slightly during July and then weakened slightly in August. Lard prices, on the other hand, moved up sharply, reflecting in part an increased speculative demand for this product because of a probable marked reduction in supplies after this year. The composite wholesale price of hog products at New York averaged $14.33 per 100 pounds in July, compared with $14.15 in June and $11.18 in July last year. The July composite retail price at New York was 18.8 cents per pound, or 1 cent more than in June and 3 cents more than in July 1933.

Storage supplies of pork and lard increased slightly in July. Pork stocks on August 1, totaling 644,000,000 pounds were 20 percent smaller than a year earlier and 11 percent less than the 5-year August 1 average. Lard stocks, totaling 210,000,000 pounds were 4 percent smaller than the unusually large stocks of a year earlier, but 34 percent larger than the 5-year August 1 average. Pork stocks undoubtedly will be reduced much more rapidly during the next few months than they were in the corresponding period last year.

Exports of both pork and lard in June were slightly larger than in June last year, but exports of lard for the month were considerably smaller than the large exports in May. The larger pork exports in June this year than a year earlier were the result of the increase in shipments of frozen pork since shipments of cured pork were smaller than in June 1933. Lard exports in June amounted to 41,413,000 pounds, a decrease of 38 percent from the exports in May, but an increase of 8 percent compared with lard shipments in June 1933. Nearly all importing countries took smaller quantities of American lard in June than in May, except Cuba.

Hog slaughter during the next few weeks is expected to become seasonally smaller and will be much smaller than a year earlier, notwithstanding some further increase in the marketings of unfinished hogs in areas of greatest feed scarcity. The decrease in slaughter supplies is likely to be reflected in a continuation of the price advance now in progress although competition from excessive supplies of beef will tend to restrict the rise.

**CATTLE**

Because of the expected increase in market supplies of cattle further declines in prices of the lower grades of fed cattle and of unfinished cattle of all grades appear probable for the next few months. The extensive purchases of cattle and calves for government account, however, may result in the price declines being small relative to the large increase in marketings. In view of the sharp decrease recently reported in the number of cattle now on feed, marketings of well finished cattle during the remainder of the year are expected to be small, and prices of such cattle may advance somewhat by late fall. The prospective shortage in feed supplies and the very poor range and pasture conditions caused by the severe drought in the Corn Belt and Western States have already resulted in greatly increased marketings of
cattle and calves and a further heavy liquidation seems fairly certain in the coming fall months. The unusually large marketings of cattle and calves this year, the sharp reduction in the 1934 spring pig crop, and the impending shortage of feed supplies doubtless will result in a marked decrease in the slaughter of all livestock in 1935. Consequently, prices of all meat animals next year are expected to be well above present levels.

Prices of most classes and grades of cattle at the principal markets declined during July as a result of the continued large slaughter supplies and the excessive temperatures prevailing in nearly all sections of the country. The average price of all grades of slaughter steers at Chicago in July was $7.21 per hundred pounds compared with $7.34 in June and $6.91 in July last year. In early August prices of the choice and prime and good grades of steers were higher than a year earlier, but prices of the medium and common grades were somewhat lower. Prices of cows and heifers also declined during the month and in late July prices of cutter cows at the Kansas City market were quoted at only $1.05 per hundred pounds, which probably was the lowest level ever reached for cows at that market. Prices of calves were about steady in July after having declined sharply in June. Stocker and feeder cattle prices advanced during the first half of the month, but by early August this advance had been entirely lost.

Markteings of cattle and calves in July were of record proportions. Receipts of cattle at the seven leading markets including those received for slaughter for government account were more than twice as large as in July last year and likewise were more than double the 5-year July average receipts for these markets. Inspected slaughter of cattle during July totaled 1,192,000 head. Of this number about 300,000 head were slaughtered for government account. The regular commercial slaughter for the month, therefore, amounted to about 892,000 head compared with 752,000 head in July last year. Inspected calf slaughter in July amounted to 770,000 head of which about 200,000 were slaughtered for government account. In July 1933 calf slaughter totaled 401,000 head compared with the commercial slaughter of calves in July this year of about 570,000 head. However, had it not been for the government cattle purchasing program inspected slaughter of both cattle and calves would have been materially larger than the commercial slaughter above indicated. Most of the increase in cattle slaughter for the month apparently was in cows and heifers. Receipts of steers from the Corn Belt at Chicago were about 17 percent less than in July 1933, but the combined number of choice and prime and good grades of steers at this market continued relatively large.

The government cattle purchasing program which was inaugurated in early June as a drought relief measure is being continued, and in early August cattle had been purchased in 19 states. Up to and including August 11 more than 2,600,000 head of cattle had been bought under this program. Of this number about 13 percent were condemned on farms where purchased and the remainder have been or will be slaughtered for relief purposes.

The number of cattle on feed for market in the 11 Corn Belt States on August 1 this year was estimated to be about 21 percent smaller than the number on feed August 1, 1933. The number on feed August 1 this year was the smallest for this date in at least 7 years. Reports from a large number of cattle feeders as to weights to which their cattle on feed August 1 this year would be fed show about the same distribution among the different weight groups as was shown by similar reports received a year earlier. The proportion under 900 pounds was somewhat larger and that from 900 to 1,000 pounds correspondingly small, with
little change in the proportion over 1,100 pounds. Last year, however, the decline in cattle prices during the fall months caused many feeders to carry cattle beyond the period for which they were originally intended, with resulting large supplies of heavy cattle in late 1933 and early 1934. A similar situation this year is very unlikely because of the general shortage and high prices of feeds.

A decrease of 30 percent or more in cattle feeding during the coming fall and winter is indicated by reports received from a large number of feeders giving the number of feeder cattle they expect to buy during the 5 months August to December this year and the number bought during the corresponding period last year. These reports indicate a sharp decrease in all states with a decrease in the states west of the Mississippi larger than in the states east of the River. Comparison with similar reports received a year ago shows that feeders expect to buy a much smaller proportion of calves this year than last and an increased proportion of yearlings.

**BUTTER**

The drought and food situation are the dominating factors in the butter situation at the present time. Butter prices were relatively steady during the first 3 weeks of July, but rose sharply in late July and early August. This rise was due in large part to effect of the drought in curtailing production. Prospects are for low production during the remainder of the pasture season and coming winter. The movement of butter into storage has been relatively light and storage stocks are much lower than a year ago.

Pasture conditions from May 1 to date have been considerably below those of any previous pasture season. On August 1 the average condition for the entire country was 43.8 percent of normal against 51.5 percent on July 1 and 55.7 percent on August 1 of last year. This is by far the poorest average condition ever reported. The estimated milk production per cow on August 1 of 13.33 pounds compares with 15.67 pounds on August 1 of last year and is the lowest on record for that date. Reported yields vary widely however, as between different sections of the country.

During the early part of the drought period grain prices advanced sharply but butter prices remained nearly constant for 3 months. The farm price of butterfat on July 15, of 22.1 cents was equivalent to the farm price of 19.6 pounds of feed grains, the lowest for the month since 1920. For the 12 months ended with July, the average farm price of butterfat was equivalent to 22.5 pounds of grain, compared with the 1925 to 1929 average of 30.7 pounds. With the extremely short crops of feed grains and hay this year, butterfat prices will probably average relatively low compared with grains during the coming winter. This price ratio and short supplies will tend to curtail butter production during the winter of 1934-35.

The price of 92 score butter at New York in July averaged 24.5 cents, slightly lower than in June, but the same as a year earlier. For the week ended August 11, however, the price averaged 27.1 cents. The seasonal rise in prices usually does not start until late in August, and the seasonal peak is reached in December. This year with prospects for light production and low stocks, the rise in prices from the midsummer low to the December peak will probably be greater than usual.
Estimated production of creamery butter in June of 181,800,000 pounds was 10.5 percent lower than in June 1933, and the lowest for the month since 1928. June production was only 4 percent more than May compared with the usual seasonal increase of nearly 13 percent. The North Atlantic and Pacific Coast States were the only groups of States in which June production was larger than in 1933. In the East North Central and West North Central States, the decline was between 11 and 12 percent.

Even though production of creamery butter in June was small, the movement of butter into consuming channels was 5.1 percent larger than in June 1933. This increase in trade output together with the rise in retail prices indicate that consumer expenditures for butter in June were 13 percent larger than in the same month of the preceding year.

Storage stocks of butter on August 1 were 108,700,000 pounds representing a net into-storage movement during July of 38,594,000 pounds. On August 1 of last year storage stocks were 150,900,000 pounds and the July movement into-storage was 44,556,000 pounds.

The margin between domestic and foreign prices continues wide for this season of the year. On August 9 the Copenhagen official quotation was equivalent to 17.8 cents against 27.0 cents on 92 score in New York. Rising prices in Copenhagen and London during the current season of light "winter" supplies from Southern Hemisphere sources would normally continue into our fall months.

**CHEESE**

Cheese prices declined sharply in July due to the relatively high production and heavy stocks. Cheese production, in contrast with butter, has been larger than in 1933, and stocks on July 1 were the highest on record for that date. The decline in cheese prices and increase in butter prices makes cheese low in relation to butter. This will tend to reduce cheese production, with the prospects for relatively light production of milk during the coming winter, because of the effects of drought, the outlook is for at least the usual seasonal rise in prices from July to the mid-winter peak.

Estimated total production of cheese in June was 66,500,000 pounds or 1.3 percent less than in June 1933. For the first 6 months of 1934, cheese production was slightly larger than in 1933, while butter production was 9 percent less. Production of American cheese in June in Wisconsin was about 7 percent less than a year earlier, but in each of the groups of states, production was larger than a year earlier.

The price of cheese (twins) on the Wisconsin Cheese Exchange averaged 10.6 cents in July; 1.9 cents less than in June and 1.4 cents less than a year earlier. This decline in cheese prices together with the rise in butter prices which occurred in the latter part of July makes cheese low in relation to butter. As a result of this price relationship, milk will probably be shifted from cheese to other uses, in those plants where such shifts can be made.

Trade output of cheese in June was 2.9 percent larger than in June 1933. With the increase in retail prices estimated consumer expenditures for cheese in June exceeded the same month of the preceding year by 5 percent.
Storage stocks of American cheese on August 1 of 37,002,000 pounds exceeded those of a year earlier by 14,231,000 pounds and the previous 5-year average for that date by 17,435,000 pounds. Last year at the peak of the storage season on October 1, stocks had reached only 99,326,000 pounds.

POULTRY

The mid-summer drought in the Central West is causing an abnormal seasonal movement of poultry from these areas. The general shortage of feed in some areas, rising grain prices and an almost complete burning up of green vegetation have forced many farmers to sell a larger proportion of their flocks than is usually sold in mid-summer. This not only applies to mature birds but also to young chickens of broiler and fryer age which are normally kept until they reach the roaster age later in the season. Many packing plants in the Middle West are reported to be operating at capacity in order to handle these marketings.

Receipts of dressed poultry at the leading terminal markets in July were 1.6 percent larger than the receipts of July last year. This is the first time since January that such receipts have exceeded those of the corresponding month of last year. Receipts of live poultry at packing plants in the Middle West during July were approximately 20 percent larger than those of a year earlier, and about 16 percent larger during the first week of August. Stocks of dressed poultry in cold storage during July showed a gain of 4,215,000 pounds compared to a decrease of 2,265,000 pounds in July last year and an average decrease of 1,777,000 pounds for July in the preceding 5 years.

The weekly marketings during the month, however, depressed prices in the central markets. Wholesale quotations at New York during July declined 2 cents on fowl and 3 cents on young stock. After these declines, however, prices on fowl were still 1 cent higher and prices of young stock 2 to 4 cents higher than a year earlier.

The number of hens in farm flocks on July 1, this year was about 2 percent smaller than on the same date last year. Heavy marketings of hens in July reduced the number of hens in farm flocks on August 1 to 3 percent below those of a year earlier. Young stock on farms as of July 1 were about 10 percent less than a year ago, and a further decrease has probably occurred from the large sales of broilers and fryers since that date.

Total stocks of dressed poultry in storage on August 1 amounted to 44,824,000 pounds compared to 44,970,000 pounds on August 1, last year, and 39,458,000 pounds for the 5-year August 1 average. Further increases have been made since August 1, as farmers continue to market both their young and old stock because of the lack of feed supplies. Marketings will probably continue heavy until farmers in the drought area liquidate their flocks to the point of where they will be able to maintain them with such feeds as they have on hand. Forced marketings at the present time will probably mean lighter marketings later in the season and a lighter movement of stocks into storage. This situation should result in an improvement of prices after the present heavy marketings are out of the way.
EGGS

Egg prices at the central markets showed a marked improvement in late July and early August, as fresh receipts decreased. Part of this improvement was seasonal, but most of it was due to the improved statistical position of the market with reference to supplies. Fresh egg receipts in July proved inadequate for trade requirements and stocks of shell eggs in storage showed a small decrease during the month. Under usual conditions stocks in storage continue to increase until August 1, but this year with the drought in the Middle West causing many farmers to sell off their flocks in mid-season, and egg production showing a greater than usual seasonal decline, dealers had to turn to storage stocks much earlier than usual. Supplies of the better grade eggs have been limited, as shipments from the Middle West particularly have shown considerable heat deterioration, as well as lack of quality due to the general production conditions prevailing in many of the states where the drought still remains unbroken.

Quotations on Middle Western Mixed Colored Firsts at New York averaged 15.7 cents per dozen in July compared to 15.1 cents in July last year. Since August 1, however, prices have advanced to 20 cents, an increase of 4.9 cents from the July average. Last year there was a decrease of 1.7 cents for the same period. Prices on Middle Western Mixed Colors at New York during the first part of August this year were on the average about 6 cents higher than for the same period a year ago. Pacific Coast and nearby eastern white eggs were about 5 cents higher.

Receipts of eggs at the principal markets in July were 13.0 percent smaller than in July last year, and for the period of January to July, this year, 9.0 percent lighter. A continued decrease under last year is shown during the first 2 weeks of August by packing plants in the Middle West and the leading terminal markets.

Stocks of shell eggs in storage on August 1 amounted to 6,949,000 cases compared to 9,507,000 cases on August 1 last year and 9,120,000 cases for the 5-year average. Storage stocks of shell eggs decreased 14,000 cases during July compared to a 5-year average increase of 227,000 cases. Frozen eggs in storage on August 1 amounted to 121,561,000 pounds, the largest stocks of frozen eggs ever reported at any time. Combined stocks of shell and frozen eggs, on a case egg equivalent basis, amounted to 12,421,000 cases compared to a 5-year average of 12,144,000 cases on August 1. Under normal production conditions for the remainder of the year, these stocks would probably prove to be a weakening influence on the market, but with farmers selling off their hens and young stocks in the Middle West, the shortage of feed and smaller than normal production of eggs in prospect this fall and winter, total supplies will be less than usual and prices are likely to make a greater than usual seasonal rise during the next few months.

LAMBS

Lamb prices declined sharply during July, but considerable recovery occurred during the first half of August. Marketings during the remainder of the year are expected to be somewhat larger than those of the corresponding period last year, but the proportion in feeder flesh in the total will be large. The number going for slaughter, however, probably will be larger than a year earlier because of reduced feeder demand.
The sharp decline in lamb prices started in late June and continued through July but was followed by a strong upturn during the first half of August. The downsizing in prices extended over a period of 5 weeks and was unusually severe. The weekly average of good and choice grade lambs at Kansas City dropped from $6.66 to $5.72 per 100 pounds and then moved up to $6.78 during the second week in August. At Chicago, the average declined from $8.92 to $6.38 and recovered to $7.10. Prices of yearling wethers declined relatively more than lamb prices but prices of slaughter ewes moved upward and recovered part of the decline made in May. The July 15 farm price of lambs was $5.64 compared with $6.37 in June and $5.24 in July 1933. The farm price of sheep was $2.73 compared with $2.96 in June and $2.50 in July last year.

Market supplies of lambs expanded seasonally after the first week in July. Receipts at seven leading markets were approximately 22 percent larger than in June and 4.5 percent larger than in July last year. Federally inspected slaughter of 1,233,612 head, was about 3 percent larger than in June, but was about 7 percent smaller than in July last year and 7 percent smaller than the 5-year average. Inspected slaughter during the first 3 months of the current marketing year, which began May 1, was approximately 15.5 percent less than in the corresponding period last year. This decrease was caused by the delayed movement to market of lambs from the early lamb production sections, smaller marketings of fed lambs after May 1, and lighter shipments to market of yearlings and wethers from Texas.

The 1934 lamb crop is estimated at 24,359,000 head. This is about 1 percent larger than the 1933 crop but is 9 percent smaller than the record 1931 crop and slightly smaller than the 1932 crop. All the increase occurred in the Western Sheep States, excluding Texas, as the Texas crop and the crop in the native or farm flock states was smaller than that of last year.

The number of lambs marketed during the year will be influenced to some extent by the Government sheep buying program which is soon to get under way as a drought relief measure in the areas of greatest feed and water scarcity. This program contemplates the purchase of about 5,000,000 ewes 1 year old and over which will be slaughtered and the meat of those suitable for food will be used for relief distribution. Such purchases will probably result in the holding back of a larger number of ewe lambs and will reduce the supply of all lambs to be shipped. However, unless present feed prospects are considerably changed by late summer and early fall rains, as happened last year in many areas, it is probable that the movement of western lambs through regular market channels will be fairly large in spite of the ewe buying program. Because of the great deterioration in western ranges as a result of the drought, a very large proportion of the lambs from the Western States will be in thin condition. The shortage of feed in the Corn Belt and in western feeding districts is expected to reduce the demand for feed lambs, thus forcing a larger than usual proportion of the market supply into slaughter channels.

WOOL

The trend of domestic wool prices during the remainder of 1934 will depend largely upon the course of domestic wool manufacturing activity and upon developments in foreign wool markets, which at present give little promise for immediate improvement in wool prices. Although domestic mill activity is expected to increase above present low levels it seems probable that supplies of domestic wool will be fairly adequate for some months. Wool
production in the United States in 1934 was estimated to be about 3 percent smaller than in 1933 but world wool production will probably be about the same this year as last.

The chief development in the domestic wool market in recent weeks was the action of the Wool Advisory Committee on August 1 recommending an average reduction of about 10 percent in prices for wools on which loans are held by the Farm Credit Administration. Price quotations on the Boston market, which have been largely nominal for several months were reduced in accordance with the above recommendation. This readjustment in prices was made necessary chiefly because of the price declines in foreign wool markets in recent months. Despite the decline in quoted prices, sales of wool on the Boston market are still very small, and the price quotations to date remain nominal to a considerable extent.

Quotations for fine (54s, 70s, 80s) strictly combing territory wool at Boston averaged 76 cents a pound secured basis and similar 56s averaged 67 cents a pound, the first week of August, after the price reduction was made. Nominal quotations on these wools the first week of July averaged 84.5 cents and 78.0 cents a pound, respectively. Prices of practically all domestic wools in the Boston market, the first week of August, were about the same as, or slightly below, prices in the first week of August 1933. Thus the price increase from August 1933 to February 1934 has been lost but prices are still about 60 to 30 percent above the 1933 low point reached in February. The United States average farm price of wool on July 15 was 21.4 cents a pound compared with 21.9 cents on June 15 and 22.4 cents on July 15, 1933.

Consumption of combing and clothing wool by United States manufacturers reporting to the Bureau of the Census in the first half of 1934 was smaller than in any similar period in recent years with the exception of the first half of 1932. Consumption of such wool on a grease basis in the first half of 1934 was 83 percent smaller than in the first half of 1933. The reduction on a clean equivalent basis was only 22 percent because of the consumption of a larger proportion of wool with a higher clean content in 1934. The index of consumption of combing and clothing wool (grease basis) adjusted for seasonal variation in June was 55 (1923-1925 = 100) compared with 61 in May and 146 in June 1933. The lower level of manufacturing activity in the first half of 1934 together with increased consumer buying power probably has resulted in a considerable reduction of the stocks of finished goods accumulated during the period of high activity in 1933. Also the decline in wool prices from the high point in January has brought prices more in line with prices of other raw materials and with incomes of consumers. Present conditions, therefore, appear to be favorable for an increase in mill activity from the present low levels during the remainder of the year.

Preliminary estimates of wool production in several important producing countries point to a world wool production in 1934 little different from that in 1933, but smaller than the 5-year average of 1929-1932. Production of wool shorn or to be shorn in the United States in 1934 is estimated at 355,000,000 pounds which is about 3 percent smaller than that of last year but 1 percent larger than the 5-year 1929-1933 average production. The decrease in domestic wool production this year was largely the result of the sharp reduction in Texas. It is now estimated that the Australian clip for 1934 will be about 950,000,000 pounds grease basis, compared with 950,000,000 pounds in 1933 and the record production of 1,061,000,000 pounds in 1932. A slight increase in production is also indicated for New Zealand.
Wool production for 1934 in the Union of South Africa was recently estimated at 245,000,000 pounds compared with 270,000,000 pounds in 1933 and the record production of 316,000,000 pounds in 1932. The decrease this year is chiefly due to the sharp reduction in sheep numbers which resulted from the severe drought in that country in 1932 and 1933.

COTTON

Continued dry weather and high temperatures in the western half of the Cotton Belt together with a comparatively small cotton acreage were the principal factors resulting in an indicated United States 1934 cotton crop of only 9,195,000 bales of 500 pounds gross weight, or about 30 percent less than the 1933 crop, and 37 percent less than the average production for the 5-year period 1928 to 1932. The drastic deterioration in the crop during late July and early August was followed by a rise of more than a cent a pound in the price of cotton to a high of 13.63 cents for Middle 7/8 inch on August 9. This was the highest price reached in the ten designated spot markets in more than 4 years. The advance in cotton prices occurred despite the fact that consumption and exports of American cotton decreased considerably during June and July when consumption and exports were substantially lower than for the corresponding months of unusual activity in 1933 but were larger than for the corresponding months in 1932.

According to weather bureau reports the continued drought in Texas, Oklahoma, and Arkansas reached a point by the second week in August where top fruiting, shedding, and premature opening of bolls were prevalent throughout most sections of these States. Growth was reported to have practically stopped in many localities, and in north Texas and Oklahoma the hot weather and lack of moisture were said to be killing the plants. While the weather has been mostly favorable in the Central States and the indicated yield per acre is above average in all important cotton growing states east of the Mississippi River, showers in the Eastern States are reported to have caused some damage, and serious boll-weevil infestations are reported in some localities. The estimated crop for this year is 5,862,000 bales less than last year's crop of 13,047,000 bales and 5,484,000 less than the average production in the 5-year period, 1928-1932.

The indicated supply of American cotton for the 1934-35 season is substantially lower than that for 1933-34 although the world consumption of American cotton was less than for the previous year. On the basis of the August 1 forecast for the 1934 crop and estimates of the New York Cotton Exchange Service for the world carry-over of American cotton for that date, the indicated world supply of this growth for the current season is approximately 20,000,000 bales as compared with 24,600,000 bales last year, 26,000,000 bales 2 years ago and an average of 18,500,000 bales for the 10-year period ended with 1930-31. World consumption of American cotton during the 1933-34 season declined nearly 6 percent as compared with the 1932-33 consumption, according to trade estimates. World consumption of foreign cotton, however, increased 13 percent which was sufficient to more than offset the decline in the consumption of American cotton so that the world consumption of all growths increased approximately 2 percent.

Consumption of cotton in the United States during the year ended July 31 amounted to 5,696,000 bales, according to the preliminary report of the New York Cotton Exchange, or about 8 percent less than the consumption in 1932-33 and 17 percent more than the consumption in 1931-32.
The July consumption in the United States was only 355,000 bales as compared with 363,000 bales in June, 600,000 bales in July a year ago, and only 279,000 bales for July 2 years ago. The small consumption during June and July, 1934 in the United States followed the announcement of the Cotton Textile Code Authority that sales of cotton goods were not sufficient to permit the operation of cotton mills at more than 75 percent of the maximum capacity permitted under the code during June, July, and August, along with an order reducing operations 25 percent. While certain mills were exempted from the code authority curtailment order, many mills operated fewer hours than were permitted under this order.

Following a drastic decline early in July from the reduced production during June the output of cotton cloth increased during late July to a point slightly below the average weekly production for the first 6 months of 1934. Cotton cloth production was estimated by the Cotton Textile Institute at 103,000,000 yards for the first week in August as compared with 104,010,000 yards for the last week in July. Sales of cotton goods were substantially higher during the second week in August than during the 2 preceding weeks, according to trade reports from New York wholesale markets. The advance in the prices for cotton goods was more than enough to offset the rise in cotton prices, with the result that mill margins were increased slightly. Narrow margins were reported to have been causing some reluctance on the part of the mills to accept new orders at prevailing prices for cotton cloth. The proposed purchases of cotton goods by the Government for relief purposes furnished some stimulus to cloth buying, but the adverse effects of the drought are expected to affect purchasing power of consumers despite the crop benefit payments.

Cotton mill activity in the United Kingdom and on the Continent of Europe, except in Germany, is reported as slow. Many mills are moving less than their currently reduced output. Although small sales of cotton goods to India were reported, business with China is reported as negligible. Japanese cotton mills, however, are reported to be operating at the recently increased rate of production with sales somewhat below current output but with most mills reporting small stocks and a substantial volume of unfilled orders on hand.

The price-parity between Indian and American cotton in Liverpool continues substantially below the prevailing parities for the past 2 years. Thus, the price incentive is such as to encourage the substitution of Indian for American cotton in foreign mills manufacturing coarse yarns. Exports of American cotton during July amounted to only 325,000 bales according to the New York Cotton Exchange, as compared with 709,000 bales in July last year and 457,000 bales in July 2 years ago. Of the 87,000 bales exported from August 1 to August 11 of this year, 22,000 were shipped to Japan and China, 20,000 to Germany, and 18,000 to Great Britain. Total exports for the 1933-34 season amounted to about 7,558,000 bales as compared with 8,426,000 bales a year ago, and 8,754,000 2 years ago. Exports to Germany were nearly 500,000 bales or about 27 percent less than the exports for 1932-33. Exports to the United Kingdom were also lower than for the previous season but exports to Japan increased substantially.

Information regarding the indicated acreage and production of cotton in foreign countries for 1934-35 is as yet very fragmentary, but reports received indicate increases in the production of cotton in Brazil and decreases in cotton acreages in Egypt and Russia.
### 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.