THE PRICE SITUATION, FEBRUARY 1935

FARM PRICES

The general level of farm prices appears to be somewhat higher than in mid-January. The rise during the last month, however, has been less than the marked advance in the previous month. Prices of livestock and dairy products have risen, whereas prices of eggs, grains and cotton have declined. With lower feed prices and higher prices of meat animals and dairy products the feeding situation is now more favorable than a month ago and a further improvement is in prospect.

Indications point to a somewhat higher level of farm prices within the next few months. Prices of livestock and some crops are expected to rise further and prices of dairy products and eggs are likely to decline considerably less this spring than usual. The level of farm prices from May to the end of the year will depend to a considerable extent upon pasture conditions and changes in crop prospects, as well as upon the current and prospective demand for farm products. Consumer resistance and purchasing ability have become more potent influences on the near future course of farm prices of such foods as meats, livestock products, and fresh vegetables, partly because of the recent sharp advances in prices of some of these foods.

Farm prices in mid-January averaging 107 percent of pre-war were the highest since November 1930, compared with 101 in December and 77 in January 1934. The relationship among the index numbers of the various groups of farm products now is nearer to the pre-war base period relationship than it has been for a long time. After adjustment for normal seasonal variations in prices these group index numbers in January ranged from 96 for fruits to 117 for grains and truck crops.

The preliminary estimate of prices paid by farmers for commodities in January is 126 percent of the 1910-1914 average compared with 117 a year earlier. The ratio of prices received to prices paid is estimated at 85 in January compared with 80 in December and 86 in January 1934. A marked rise in livestock prices such as occurred between December and January is usually accompanied by a considerable rise in the ratio of prices received to prices paid by farmers. A corresponding rise in grain prices (prices x quantities) is less effective in increasing this ratio for a rise in grain prices is usually accompanied by a rise in prices paid by farmers for feed and seed.

Cash income from the sale of farm products in December 1934, excluding the sale of cattle and sheep to the Government, is estimated at $435,000,000 compared with $488,000,000 in November and $410,000,000 in December 1933. Cash farm income during the first 6 months of 1935 may continue above the level of a year earlier. Total income from the sale of farm products during the entire year 1934 amounted to $5,534,000,000 compared with $4,889,000,000 in 1935, and $4,328,000,000 in 1932. Income from rental and benefit payments and from the emergency sale of cattle and
sheep in 1934 totaled $557,000,000 compared with $162,000,000 in 1933. Total cash income for the year 1934 was $6,090,000,000 compared with $5,051,000,000 in 1933.

WHOLESALE PRICES

Wholesale commodity prices continued to advance in January as a result of higher prices for farm products and foods. The weekly averages of prices of groups other than farm and food products were practically unchanged during the month. The general level of wholesale prices in early February at 116 percent of the pre-war average was the highest since December 1930. The marked relative rise in prices of farm products during the last 2 years has brought market prices of farm products nearly up to the level of prices of other than farm and food products combined, at 110 and 115 percent of pre-war respectively for the week ended February 2.

Wholesale prices of farm products in the major surplus producing countries reached their post-war low in early 1933 and have since recovered about two fifths of the decline of the previous 4 years. The decline in prices of farm products in the United States from early 1929 to the 1933 low, although equaled in Hungary, was greater than the decline in other major agricultural countries. In general the decline in prices of farm products during the depression was greatest in the large agricultural surplus producing countries, somewhat less in deficit countries of the "gold block" and least in the deficit countries whose national currencies depreciated.

The subsequent rise, since 1933, has been greatest in the major surplus producing countries (United States, Canada, Argentina) somewhat less in England and Germany, and least in such "gold block" countries as Italy and Netherlands. Comparable data are not available for France.

Wholesale prices in Germany, England and Canada have been steady for the last 2 months whereas prices have continued to rise slowly in Italy and to decline in France.

BUSINESS CONDITIONS

The marked improvement in industrial activity in December was continued and extended in January to the highest level since the summer of 1933. The present level of activity, together with the movement of manufactured products and orders on hand, indicates that industrial output for the first quarter of this year will be the highest for any similar period since 1931. This improvement in industrial activity has added to the incomes of industrial workers and is increasing the demand for farm products. Farm income may be larger during the first half of 1935 than in any year since 1931 in spite of the marked reduction in the supply of farm products moving to market.

The Federal Reserve Board's index of industrial production after seasonal adjustment advanced from 74 percent of the 1923-1925 average in November to 85 percent in December. Weekly statistics indicate further increases in industrial output in January. The marked increase in automobile production has been an important factor in the increased industrial output, but other lines of activity, particularly woolen textiles, have also shown
marked improvement. A part of the increase in automobile output is accounted for by the earlier introduction of new models this year, although retail sales are running considerably larger than a year ago.

The output of iron and steel also increased more than seasonally in January in response to the increase in automobile production, a marked pick-up in the output of agricultural implements and increased sales of iron and steel products to miscellaneous consumers. The output of structural steel and railroad supplies continues at low levels with only a moderate improvement in prospect. Building contracts awarded increased slightly in January from the low levels of December but they were materially less than a year ago.

Improvement in other lines of industrial activity in the United States from December to January was less marked. Cotton textile production increased considerably more than seasonally from December to January, whereas the production of silk textiles declined. Railroad car loadings were slightly higher, owing to the increased movement of coal and electric power production, continued its upward trend of recent months. Retail sales of department stores declined more than seasonally from December to January but they were still 4 percent greater than in January 1934.

Industrial activity in most foreign countries, outside the "gold block" countries and China, is beginning the year at levels considerably above a year ago. In Great Britain, business activity is now at approximately the same level as in 1929. Marked improvement in the durable goods industries has been the principal factor in the upturn of business activity of both Great Britain and Germany in the past year. The low level of international trade of both these countries is a major hindrance to a further expansion in business activity. Unemployment in France has reached the highest level since the war and no improvement in business is yet in evidence. Activity in Japan continues at high levels but China is passing through one of the severest depressions of recent years with trade at a very low level.

**WHEAT**

Wheat prices in the United States have declined somewhat during the past month despite smaller world supplies than a year ago and deterioration of the Argentine crop in December and early January. However, price declines in foreign markets have been about the same as in the United States and have accompanied the marked seasonal increase in shipments from Argentina.

The United States average farm price of wheat as of mid-January was 89.3 cents per bushel compared with 90.6 cents a month earlier, and 69.4 cents in January 1934. There was a corresponding decline in prices at the principal markets. Thus, No. 2 Hard Winter at Kansas City declined from an average of 107.5 cents for the week ended December 8 to 102.9 cents for the week ended January 12, and 97.8 cents for the week ended February 9. At Minneapolis No. 1 Dark Northern Spring declined from 117.3 cents for the week ended December 8 to 114.1 for the week ended February 9.

There have been no outstanding changes during the past month in the prospects for wheat supplies either in the United States or abroad. In Argentina the crop is turning out to be of poorer quality than average, and
indications are that the total outturn may be somewhat smaller than was officially estimated in December. In the Northern Hemisphere prospects for the winter wheat crops of 1935 are still highly uncertain. A considerable part of the Western Great Plains area of the United States is still deficient in moisture, but from central Kansas east, weather conditions appear to have been fairly favorable. It is not likely that the present deficiency of moisture in the extreme western portion of the Winter Wheat Belt could be entirely made up, even if there should be plentiful late winter and spring rains. In the spring wheat region of the Northern Great Plains of the United States and in Canada, on the other hand, the outturn of the crop will be largely dependent upon rainfall during the spring months. If plentiful and timely rains occur during this period, yields may be equal to or above average. The deficiency of sub-soil moisture, however, will probably result in less than average yields in the spring wheat area if weather conditions during the spring and early summer are not more favorable than average.

World shipments rose rather abruptly from their low levels of December and for the past 3 weeks have been averaging about 10,000,000 bushels weekly. Such an increase is usual at this season of the year. The increase has been due mostly to increasing shipments from Argentina, though there has been a small increase in the rate of shipments from Australia and North America.

Wheat prices in the United States during the next 4 months depend very largely upon the development of the 1935 crop. Indications are that the United States carry-over as of July 1 may be about 150,000,000 bushels. The average wheat carry-over of the United States was about 125,000,000 bushels before the large surplus stocks began to accumulate.

CORN

Corn and other feed grain prices declined in January and the first week in February. This decline may be attributed to a number of factors, including the mild fall weather which permitted extensive saving of the small feed supplies, utilization of previously purchased feeds, and liberal use of roughage. The sharp advance in corn prices in the fall and early winter was apparently overdone and a reaction, much of which took place in January, was the result. This reaction may continue further into February, but a material decline from the present level is very unlikely. An advance above the December level between now and April is likewise not probable. Prospects favor a relatively steady level of corn prices from January to April.

The December average price of all classes and grades of corn at five markets was 95.5 cents and the January average was 90.8 cents per bushel. For the week ended February 2 the figure was 87.6 cents. No. 3 Yellow corn at Chicago averaged 87.9 cents for the week ended February 2 compared with 93.7 early in January. Oats prices declined about the same percentage as corn in this period, and No. 3 White oats at Chicago averaged 53.6 cents per bushel for the week ended February 2. Barley prices did not weaken as much as either corn or oats. The decline in market prices of corn suggests that the February 15 farm price may be lower than the January 15 price of 85.3 cents per bushel. The January 15 farm price was 105 percent of the "fair exchange value" of 80.9 cents. Farm prices of corn were equal to or higher than wheat in 18 states. Oats prices on February 15 will also probably be lower than on January 15.
Demand for feed grains, particularly corn, was at a somewhat lower level in January than in December, although some improvement was in evidence late in January. The Federal Livestock Feed Agency at Kansas City reported receiving a larger number of inquiries for the location of feed supplies after several weeks of only a few requests. Commercial stocks of corn after remaining about unchanged for the last 2 weeks of December, began to decrease rapidly. During the first week in January, the decrease was 1,600,000 bushels, but in the week which ended with February 2, the decrease was 2,300,000 bushels. Continued decreases at this rate, considering the present volume of market receipts, cannot continue much longer before a price advance is necessary to induce farmers to increase their marketings. The recent upward trend in livestock prices improved feeding prospects for those who have feed or have money with which to purchase feed. The hog-corn ratio, based on farm prices, increased from the record low of 6.0 on December 15, to 7.7 on January 15, while that for the North Central States jumped from 5.9 to 8.4 in this period. Considering these ratios, feeding of corn is still relatively unprofitable but a marked improvement is apparent and still higher price ratios are anticipated in the next 6 to 9 months. The hog-corn ratio on February 2, based on Chicago prices was 8.8.

The short feed supplies are being used 'conservatively. The reduction in disappearance of corn from October through December was greater than the decline in animals on farms. The number of cattle on feed for market in Corn Belt States on January 1, 1935, was 46 percent smaller than a year earlier with the decrease mainly in the states west of the Mississippi River. However, the movement of stocker and feeder cattle from public stockyard markets in January was materially larger than the relatively small movement of January last year. The number of cattle on feed in the 11 Western States, January 1 this year, was 16 percent smaller than a year ago with decreases in nearly all states, being particularly marked in Texas and Oklahoma. There was a decrease in the principal feeding states of about 5 percent in the number of lambs, including sheep, on feed for market on January 1. Market receipts of hogs include many lightweight and unfinished animals. The average weight of packer and shipper purchases at seven markets in January was 14 pounds less than a year earlier. Such economy in the use of feed will tend to limit any appreciable advance in corn prices during the winter months. Also, feeders may advantageously use early grain or feed crops prior to the availability of new-crop corn. Demand for corn by the starch and syrup industry receded sharply in January with only 4,051,000 bushels being processed. Normally January, February, and March are active months.

Receipts of corn at 13 markets declined in January and totaled only 6,597,000 bushels, bringing the seasonal total since November to 24,378,000 bushels. The 5-year average for this period was 53,918,000 bushels. Market receipts of oats also fell in January, aggregating only 2,075,000 bushels. Shipments of both corn and oats from the markets were greater than receipts, resulting in a further reduction of market stocks. The decrease in stocks of corn was particularly noticeable. The supply of corn in store at the principal markets was reduced from 43,752,000 bushels (December 28) to 34,103,000 (February 2). Commercial stocks of corn reached their fall peak late in September when they totaled 64,130,000 bushels (September 22). The reduction in corn stocks in October was 5,400,000 bushels, in November 8,200,000, in December 6,400,000 and in January 9,700,000 bushels. The reduction in oats stocks in January was not so great—from a total of 23,102,000 bushels to 22,332,000 bushels. Barley stocks were reduced slightly more than oats stocks.
The quality of the 1934 corn crop marketed in the eastern United States, the Ohio Valley and the southern Illinois areas was better than last year on test weight and moisture factors, according to reports from grain supervisors and licensed grain inspectors located at important primary markets. The average test weight per bushel in these sections was 2 pounds heavier than last year and moisture 2 percent lower. Mississippi and Missouri markets, excluding southern Illinois, show test weight to be 1-1/2 pounds per bushel lower than last year and moisture nearly 2 percent higher. On the "total damage" factor, this year's crop, except in the eastern part of the country, has a higher percentage of damaged kernels than last year. Generally speaking, about one third of the market receipts from an average corn crop has their grade determined as lower than grade No. 1 because of the "total damage" factor.

The short domestic supplies of feed have placed increased importance upon imports and sources of supplies in foreign countries. Imports of corn during December of 1,172,000 bushels were the largest for any month since October 1927. Total imports of corn from July 1 to December 31 were 2,807,000 bushels compared with 91,000 bushels in the same period last season. According to trade reports, imports of corn during January were several times as large as those for December. Imports of oats were also heavier in December and January.

New crop corn from Argentina's prospective large crop will probably become available in April. The acreage seeded was the largest on record, 17,372,000 acres, and growing conditions have been favorable. Average yields and abandonment suggest a crop somewhat between 400,000,000 to 450,000,000 bushels. The Buenos Aires office of the Foreign Agricultural Service places the Argentine crop at 433,000,000 bushels.

**RICE**

Southern rice prices declined in January and early February. The Louisiana farm price of southern rough rice, January 15, was $2.97 per barrel (162 pounds each) compared with $2.81 a month earlier and $2.70 per barrel a year ago. These data were published for the first time in December 1934, "Crops and Markets". The weighted average price of sales of the American Rice Growers Cooperative Association in Texas and Louisiana for the week ended February 7 was $2.94 per barrel compared with $3.27 for the week ended December 21 and $3.36 per barrel for the week ended December 6. In contrast, prices of California rough rice were unchanged at around the minimums provided in the marketing agreement with No. 1 Paddy, yielding 54 pounds of head rice per hundred quoted at $1.71 per hundred pounds or $2.77 per barrel and grain yielding 50 pounds at $1.66 per hundred or $2.69 per barrel, f.o.b. interior shipping points.

**Rough rice**

As a result of the December 1 revision of the estimate of the 1934 United States rice crop, data on supplies of rice for the season or the remainder of the season necessitate revision. The December 1 estimate placed the southern crop at 8,506,611 barrels and the California crop at 2,129,167 barrels making a total United States crop of 10,637,778 barrels. The 1934 southern crop is about as large as that of 1933, but the California crop is 20 percent greater. The supply of southern rough rice in first hand available for shipment to mills or for farm carry-over, February 1, may be
considered to be around 400,000 barrels larger than a year ago when it
aggregated about 2,260,000 barrels. Mill receipts of rough rice, August 1934
through January 1935 totaled 5,253,000 barrels against 5,580,000 barrels in
the same period last year. Stocks of rough and cleaned rice at southern
mills, February 1 totaled 2,247,000 barrels whereas a year ago 2,480,000
barrels were in store in this position.

Statistics upon the January movement of the California crop are not
available at this time. Despite the much larger crop, movement of California
rough rice from first hands to mills from October, the beginning of the
California season, through December totaled only 1,032,000 bags (100 pounds
each) compared with 1,296,000 bags in the same months of 1933. Mill stocks
of California rough rice, January 1, of 325,000 bags, were smaller than the
463,000 bags a year earlier. Movement of "surplus" or excess-quotas California
rice has been slow with most growers awaiting further developments concerning
plans for its disposal.

Milled rice

The seasonal movement of milled rice from southern mills exceeds that
of last season, but shipments from California mills have been slightly less.
From August 1934 through January 1935 southern mills shipped into domestic,
insular and foreign trade channels 4,849,000 pockets (100 pounds each) but
in the previous season only 4,230,000 pockets. Recent frost damage to
vegetables in the Southeastern States tended to increase consumption of rice
in that area. With mill receipts of rough rice under a year ago, and larger
shipments of milled rice, southern mills brought about considerable reduction
in both their rough rice and milled rice stocks. Movement of California
milled rice, October through December, was only 443,000 pockets compared
with 479,000 pockets a year earlier.

Based on weekly reports, shipments of United States rice to Puerto
Rico during the period December 29 to February 2 totaled 194,660 pockets,
to Hawaii 79,810, and to foreign countries 80,780 pockets, making a grand
total of 355,250 pockets compared with 321,000 pockets in January 1934. Since
August, the beginning of the 1934-35 southern rice season, exports to foreign
countries and shipments of United States rice grain to Puerto Rico and Hawaii
aggregated only 1,765,810 pockets compared with 1,922,830 pockets in the
same period of the 1933-34 season. In view of the much larger total
seasonal movement from United States mills this year than last, and a smaller
movement out of the country it is apparent that domestic consumption has
increased considerably over a year ago.

At the present time marketing agreements are in force in the southern
rice states and in California. The establishment of a processing tax and
an inauguration of a 1935 adjustment program has been recommended to the
Administration by the rice growers. The recommendations suggested include
(a) a processing tax levy of 1 cent per pound of rough rice, effective March
1, 1935, to be continued in effect through the marketing year ending July
31, 1936, (b) elimination of the floor stocks tax on rice purchased at a
price as high as or higher than that specified in the existing marketing
agreements and (c) that the acreage allotment and production quota allocated
to the Southern States in 1935 be approximately the same as that allotted in
1934.
Potato prices in central markets declined slightly during the first 3 weeks of January but recovered most of the loss by the end of the first week in February. Car-lot shipments have moved to market in a fairly steady volume in recent weeks and indications are that there are ample supplies of old stock potatoes in warehouses at shipping points to maintain this volume during the next several months. For this reason potato prices may continue at about present levels.

Recent reports indicate that the acreage planted in the early states of Florida and Texas, Lower Valley, totals 30,000 acres or about the same as in 1934. In the second section of the early states growers' intentions indicate a decrease of 4,600 acres from the acreage harvested a year ago, in the second early states, a decrease of 4,000 acres and in the intermediate states a decrease of 6,800 acres. Thus the prospects are for a decrease of 15,500 acres in the area of early potatoes this year not including last fall's crop.

Potato prices at New York (f.o.b. basis) declined from $1.02 per 100-pound sack for the first week of January to 94 cents the fourth week but recovered to $1.01 during the first week of February. A year earlier they averaged $2.08. At Chicago, car-lot prices declined from 87 cents per 100-pound sack for the first week of January to 94 cents the second week where they have remained through the first week of February.

At Presque Isle, Maine, Green Mountains averaged 36 cents per 100-pound sack f.o.b. during the first week of February compared with 42 cents a month earlier. Round whites at Rochester, New York averaged 52 cents compared with 56 cents a month earlier, while at Waupaca, Wisconsin they averaged 50 cents and 57 cents per 100-pound sack respectively in the two periods. At Michigan shipping points, Cadillac rate, Russet Burbanks averaged 55 cents per 100-pound sack f.o.b. during the first week of February compared with 60 cents a month previous. Russet Burbanks at Idaho Falls averaged 67 cents f.o.b. cash track per 100-pound sack in the first week of February against 74 cents a month earlier.

The average United States farm price of potatoes was 46.1 cents per bushel on January 15, 1935 compared with 45.4 cents on December 15, 1934, 77.2 cents on January 15, 1934 and 64.2 cents the January average 1910-1914.

Tobacco

Prices of the types of tobacco sold at auction warehouse markets during January showed little change from the levels prevailing immediately following the holidays. Advances occurred in the prices of all fire-cured and Green River tobaccos; One Sucker prices declined slightly and then advanced later in the month; Burley prices remained unusually stable. Marketings of most of the types have been made in a much shorter period than usual this season, owing to the reduction in size of the crop. As the selling season draws to a close, prices for these types have shown the usual seasonal decline.
Average prices in cents per pound for January 1935 according to state reports were as follows: Burley (type 31—Kentucky only) 17.4; Virginia fire-cured (type 21) 12.7; Eastern fire-cured (type 22—Kentucky only) 9.2; western fire-cured (type 23—Kentucky only) 8.2; Henderson fire-cured (type 24) 7.3; One Sucker (type 35—Kentucky only) 7.5; Green River (type 36) 9.0; Virginia sun-cured (type 37) 9.6. These prices were from 2C to 65 percent above the corresponding prices of a year earlier and up to 300 percent above those of 2 years earlier. Prices for the closing sales of flue-cured tobacco were about in line with those prevailing before the holidays, considering the quality of the tobacco. The average for the entire 1934 flue-cured tobacco was approximately 27 cents per pound.

The factory output of tobacco products during December 1934, as indicated by the monthly sales of tax stamps by the Bureau of Internal Revenue, was about 15 percent above that of the 2 preceding years. The principal increases were shown for cigarettes and cigars which were 18.1 percent and 16.4 percent respectively above a year earlier. Snuff showed an increase of 11.8 percent over a year earlier, whereas the increase for manufactured tobacco (smoking and chewing combined) was 3.8 percent above a year earlier.

Exports of leaf tobacco from the United States in December 1934 totaled only 28,790,000 pounds compared with 60,800,000 pounds a year earlier, and a 5-year average for December of 53,600,000 pounds. The exports of stems, trimmings, and scrap, which have been unusually large during the last several months amounted to 3,000,000 pounds in December. The principal decline in leaf tobacco exports in December was in flue-cured tobacco which normally represents more than 85 percent of the total December exports. For the 6 months' period ended December 31, the exports of the principal types of tobacco, compared with previous years, were as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>1934 July-Dec.</th>
<th>1933 July-Dec.</th>
<th>1932 July-Dec.</th>
<th>5-year average July-Dec.</th>
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<tr>
<td>Flue-cured</td>
<td>109.2</td>
<td>194.3</td>
<td>166.0</td>
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<tr>
<td>Fire-cured -</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Ky.-Terr.</td>
<td>30.4</td>
<td>40.6</td>
<td>27.9</td>
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<td>Va.</td>
<td>5.3</td>
<td>6.7</td>
<td>7.3</td>
<td>8.5</td>
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<tr>
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<td>2.2</td>
<td>5.4</td>
<td>4.2</td>
<td>2.7</td>
</tr>
<tr>
<td>NC</td>
<td>2.0</td>
<td>6.3</td>
<td>7.1</td>
<td>6.0</td>
</tr>
<tr>
<td>All other types</td>
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<td>7.5</td>
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<td>6.7</td>
</tr>
<tr>
<td>Total leaf</td>
<td>224.4</td>
<td>261.0</td>
<td>219.1</td>
<td>287.6</td>
</tr>
<tr>
<td>Stems, trimmings and scrap</td>
<td>14.5</td>
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<td>12.4</td>
<td>9.1</td>
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HOGS

The sharp rise in hog prices during late December and early January which carried the Chicago weekly average to $7.82 per 100 pounds the second week in January was followed by a slight reaction. The rise was resumed in early February and during the first full week of the month the top at Chicago reached $8.30, the highest price at that market since July 1931. With further seasonal reductions in hog marketings in prospect, hog prices are expected to continue upward until late March or early April before the usual spring decline begins.

After reaching $7.82 per 100 pounds the second week in January, the weekly average of hog prices at Chicago fluctuated between that price and $7.66 until the week ended February 9, when prices made new highs for the winter. The average for January at Chicago was $7.70 compared with $5.82 in December and $3.41 in January last year, when the hog processing tax was $1.25 per 100 pounds less than the current tax. A significant development in the hog price situation in recent weeks which reflects the great shortage of hogs in the Western Corn Belt is the narrowing of the price spread between Chicago and the Missouri River markets. At times recently prices at Omaha and Kansas City have been practically as high as, or higher than, prices at Chicago, whereas normally they are lower than at that market.

Hog slaughter under Federal inspection in January, totaling 3,047,000 head, was 27 percent smaller than that in December, 43 percent smaller than in January last year, and the smallest for the month since 1911. Total inspected slaughter during the first 4 months of the current marketing year which began with last October amounted to 14,812,000 head, or 15 percent less than in the corresponding period a year earlier. Slaughter during the remainder of the year is expected to continue far below the average of recent years. Although average weights recently have shown a slight seasonal increase they are much lighter than usual. The weighted average for the seven largest markets in January was 213 pounds compared with 202 pounds in December and 227 pounds in January last year. The greatest reduction in weights has been at St. Paul and the Missouri River markets, whose supplies come largely from the area where the feed shortage is most acute.

The hog-corn price ratio improved slightly during January and early February as a result of a moderate decline in corn prices while hog prices were steady to higher. The ratio of 3.8 in early February, based on Chicago prices of hogs and corn, compared with 7.9 in January earlier and 7.5 a year earlier. The current ratio, however, is much below the 10-year average.

The upturn in prices of cured hams, bacon, and picnics, which started in late December continued throughout January, the price advance on the different cuts ranging from about $1.00 to more than $3.00 per 100 pounds. Prices of lard and dry salt meats also continued to advance and reached the highest levels in several years. Prices of fresh pork, however, were generally weak, following the sharp advance in late December and early January, and reacted sharply. This reaction was one of the factors which served to check the advance in prices of live hogs during mid-January. The composite wholesale price of hog products at New York in January was $18.54 per 100 pounds, compared with $16.50 in December and $11.11 in January last year.
Because of the marked reduction in hog slaughter in January, stocks of hog products in storage declined instead of increasing seasonally as they usually do during January. Stocks of pork on February 1, totaling 671,000,000 pounds were 2 percent less than a month earlier, 2 percent smaller than a year earlier, and 1 percent less than the 5-year average for that date. A year earlier, however, stocks included about 66,000,000 pounds of sweet pickled meats held for government account for relief purposes whereas current stocks comprise entirely commercial holdings. Live stocks on February 1 totaling 113,000,000 pounds, were about 5 percent less than those of a month earlier and 33 percent less than those of a year earlier, but they were 24 percent greater than the 5-year February 1 average.

On the basis of the indications of the 1934 pig surveys, slaughter supplies of hogs during the remainder of the current marketing year which ends September 30 are expected to be from 40 to 45 percent less than those of a year earlier. A decrease of 42 percent would amount to about 11,000,000 head for the period February to September. With supplies of cattle and lambs for slaughter during this period expected to be considerably smaller than a year earlier, hog prices are expected to make further advances throughout 1935 and to remain at relatively high levels compared with recent years.

**CATTLE**

Although the trend in cattle prices is expected to continue upward throughout 1935 it is probable that the advance in prices in the remainder of the winter will be less pronounced than the sharp rise which has occurred since early November. Market supplies of all classes and grades of cattle and calves this year will be materially smaller than the large commercial marketings in each of the last 2 years, and a marked decrease in the slaughter supplies of other meat animals also is probable for 1935. The number of cattle on feed this winter is the smallest in many years, and supplies of well-finished cattle will be small during most of the present year.

As a result of the decreased marketings of cattle and other livestock prices of all kinds of cattle and calves rose during January with the rise being greatest in the case of better grades of slaughter steers. In early February the top price of well-finished cattle on the Chicago market reached $13.95 per 100 pounds, the highest price paid at that market since early 1931. The price of choice and prime grade steers at Chicago the last week in January averaged $12.56 compared with $5.98 at the end of January last year. At the end of January this year the average price of common grade steers at Chicago was $6.21 compared with $4.39 a year earlier. The greater advance in prices of the better grades of steers than in the prices of the lower grades reflects to a considerable extent the much smaller proportion of heavy grain-fed cattle in the market supplies in recent months as compared with a year ago. For the month of January the average price of all grades of slaughter steers at Chicago was $9.24 compared with $7.41 in December and $5.35 in January last year. The average farm price of beef cattle on January 15 was $5.05 compared with $3.98 a month earlier and $3.35 a year earlier.

In the case of the better grades of slaughter steers the present advance in prices began in early November, but in the case of the lower grades of steers, cows, and heifers, and stocker and feeder cattle the rise began after the middle of December. In general, prices of all kinds of cattle are now the highest in 2 years at least.
Receipts of cattle at the seven leading markets in January, exclusive of government purchases were about 15 percent smaller than in January 1934, but they were 11 percent larger than the 5-year January average. It is probable that the commercial slaughter of cattle and calves in January was but little different from a year earlier. Inspected slaughter of cattle in January including those slaughtered for the account of Federal and State relief organizations totaled 977,000 head, compared with 831,000 in January 1934 and was the largest slaughter for the month since 1919. Calf slaughter under Federal inspection also including relief purchases amounted to 511,523 head. Purchases of cattle and calves by the Federal Surplus Relief Corporation which were inaugurated last June as a drought relief measure were recently discontinued. Reports indicate that about 8,228,000 head of cattle and calves were purchased under this program.

The number of cattle on feed in the 11 Corn Belt States on January 1, 1935 was estimated to be 46 percent smaller than on that date in 1934 and was the smallest in many years. Wide variations occurred in the changes in the number on feed from a year earlier among the several states. For the states west of the Mississippi River the decrease amounted to 57 percent with decreases occurring in all states and ranging from 20 percent in Iowa and Minnesota to 90 percent in Kansas. In the states east of the Mississippi River combined the decrease was 7 percent, but in Ohio and Indiana increases of 5 and 15 percent respectively were reported. In the 11 Western States the estimated decrease in the number of cattle on feed on January 1 this year compared with a year earlier was 16 percent.

Shipments of stocker and feeder cattle from public stockyard markets in January were somewhat larger than the relatively small movement in January last year. These increased shipments probably are a reflection of a stronger country demand for cattle growing out of the rapid rise in prices of slaughter cattle in the last 2 months and the improved relationship between cattle prices and feed prices.

**BUTTER**

Butter prices have risen to the highest level in over 4 years. The rise in prices in recent months has been due primarily to the marked decline in production. Even though farm prices of butterfat are about 90 percent higher than a year earlier, the price of butterfat is low in relation to feed grains. This price relationship together with the short supplies of feed indicates light production during the remainder of the feeding period, with prices averaging as high or higher than in December, instead of making the usual seasonal decline. Storage stocks of butter are unusually small so that total domestic supplies during the rest of the winter will be decidedly less than a year ago. The margin of domestic over foreign prices is greater than the tariff and New Zealand butter is being imported.

The price of 92 score butter at New York in January averaged 54.2 cents the highest for any month since November 1930. The price rose 3.3 cents from December to January instead of making the usual seasonal decline and the index which is adjusted for seasonal variation rose from 92 in December to 110 in January.
The farm price of butterfat in mid-January was 30.5 cents, the highest in over 4 years, and was 89 percent higher than a year earlier. Feed prices, however, were also much higher than a year earlier. In mid-January a pound of butterfat would buy 18.9 pounds of feed grains. This was only slightly more than a year earlier and except for 1933 was the lowest for any January in over 25 years.

Production of butter in December of 102,700,000 pounds was 11.8 percent less than a year earlier and the smallest for the month since 1929. December production was less than November compared with the usual seasonal increase, and the index number of production declined from 128 in November to 114 in December. Each group of states showed a marked decline from the preceding year. In the East North Central States the decrease was 9.8 percent and in the West North Central States 12.3 percent.

Weekly reports indicated that production continued decidedly lower than a year earlier during January and early February. Production will probably continue low until the pasture season. Total production of creamery butter in 1934 of 1,654,000,000 pounds was 109,100,000 pounds less than in 1933 and the lowest since 1930.

Total trade output of butter in December was 4.4 percent less than in 1933. Some government butter, however, was distributed in December 1933 and also in 1934. Trade output through regular commercial channels in December was about 6.4 percent less than in December 1933. Retail prices in December were 35 percent higher than a year earlier. These changes indicate that consumer expenditures for butter in December were about 26 percent larger than a year earlier. The fact that consumer expenditures are decidedly larger than a year earlier, and prospects are for smaller production, indicate continued high prices.

Cold storage holdings of butter on February 1 of 19,000,000 pounds were about 57,000,000 pounds less than a year earlier. Storage stocks are at such a low level that they are not an important factor in the market. The net out of storage movement in January was about 28,000,000 pounds and except for January 1934 when a large amount of government butter was distributed for relief it was by far the largest out of storage movement for the month.

On February 7 the price of New Zealand butter in London was equivalent to 19.8 cents per pound, the price of 02 score butter in New York was 37.2 cents or 17.4 cents more than the London price. This margin which is more than the tariff has attracted imports and more are in prospect. In December imports of butter were 235,000 pounds compared with 81,000 pounds a year earlier. Market reports indicate that imports in January were considerably larger.

CHEESE

Cheese prices made more than the usual seasonal increase from December to January and prices in January were the highest since 1930. The decline in total milk production as well as the decline in cheese production resulted in higher prices. Because of the prospects for low production of milk during the remainder of the feeding period, the seasonal decline in cheese prices
from January to April will probably be less than average. Cheese production although slightly below last year is relatively large and storage stocks are the highest on record for this season of the year.

The price of cheese (twins) on the Wisconsin Cheese Exchange rose from 13.0 cents in early January to 15.8 cents in early February. The average price in January of 14.1 cents was 1.5 cents higher than in December and 4.5 cents higher than in January 1934. The increase in price from December to January was greater than the usual seasonal increase and the index of prices adjusted for seasonal variation rose from 83 in December to 90 in January.

Production of cheese in December of 31,200,000 pounds was 7.7 percent less than in December 1933, but was the second highest on record for the month. The decline in cheese production from November to December was 18 percent compared with the usual seasonal decline of about 9 percent. Total production of cheese in 1934 was estimated at 559,700,000 pounds, a new high for yearly production and 2.3 percent larger than in 1933.

Cold storage stocks of American cheese on February 1 were 71,000,000 pounds compared with 85,500,000 pounds a year earlier and the 5-year average of 58,200,000 pounds.

Trade output of cheese in December was 42,400,000 pounds and was 6.3 percent less than a year earlier, even though there was some government cheese distributed for relief. Retail prices of cheese in December were 6 percent higher than a year earlier. Estimated consumer expenditures for cheese distributed through regular commercial channels were 3 percent less than in December 1933.

Imports of cheese in December were 3,600,000 pounds, the smallest for the month since 1921. Total imports for the year 1934 were 47,500,000 pounds, practically the same as in 1933.

**CHICKENS AND EGGS**

Prices of eggs and chickens averaged higher in January than in December largely as a result of severe weather conditions and very light receipts. Since receipts are likely to continue relatively low the normal seasonal decline in egg prices will probably not be as great as usual and the seasonal advance of chicken prices may be greater.

Prices of special packed mid-western eggs at New York declined from an average of 35.0 cents a dozen for the week ended January 5 to 31.1 cents for the week ended January 19 and then rose to 34.0 cents for the week ended January 26. After a moderate decline prices continued to rise, being 35 cents in February 7. The monthly average was 32.2 cents compared with 31.8 cents in December and 24.8 cents in January 1934. The January 15 farm price was 25.0 cents compared with 17.6 cents a year before. The advances in market prices in January apparently were not reflected in farm prices, which were 2 cents lower in January.

The farm price of chickens was 12.3 cents on January 15, 11.7 cents a month before and 8.4 cents a year before. Chicken prices have risen 47 percent since January 1934 whereas the index of farm prices of meat animals shows a rise for this period of 75 percent, from 55 to 96. However, present figures show chicken prices 14 percent above the January pre-war average whereas the meat animals index is 1 percent below.
The advance in price of both eggs and poultry is due largely to severe weather and relatively light receipts. Receipts of eggs at the four markets in January were 664,000 cases compared with 756,000 cases a year before and a 5-year average of 894,000 cases. Receipts were the lightest for the month since 1925, the average for the period 1926-1934 being 972,000 cases. Lighter receipts are the result not only of reduced layings but of smaller flocks. Receipts this spring are not likely to exceed those of the spring of 1934.

Receipts of dressed poultry at the four markets in January were 20,300,000 pounds compared with 29,300,000 pounds a year before and a 5-year average of 29,400,000 pounds. Receipts of poultry while declining seasonally are also likely to be much less this spring than a year ago.

Cold storage holdings of case eggs are negligible, being 53,000 cases on February 1 compared with 50,000 cases a year ago and a 5-year average of 332,000 cases. Cold storage stocks of frozen poultry were 122,300,000 pounds on February 1 compared with 120,200,000 pounds a year ago and a 5-year average of 115,200,000 pounds. However, the out-of-storage movement of poultry has been much heavier than at this time last year.

LAMBS

The sharp rise in prices of slaughter lambs which started in December was checked about the middle of January after the weekly average price of good and choice lambs at Chicago had reached 39.00 level. Following this rise, the average declined about 50 cents per 100 pounds during late January and early February. The January average for these grades at Chicago was 8.81 compared with 3.33 in January last year, and 7.59 in December. Prices of slaughter ewes, which rose throughout December, continued steadily upward during January to levels almost equal to the highest prices reached in 1934, but there was a slight reaction in early February. Prices of feeder lambs, which had been slow to respond to the improvement in fat lamb prices in December, moved up sharply in January but lost part of their gain in recent weeks.

The unusually small volume of market receipts in December was followed by a sharp increase in January. Receipts at the seven leading markets in the latter month were about 35 percent larger than those in December but they were about 11 percent smaller than in January last year. January slaughter of sheep and lambs under Federal inspection totaled about 1,345,000 head or 4 percent less than in January of the previous year.

The number of lambs on feed on January 1 was estimated to be 5 percent smaller than that of a year earlier. The decrease was entirely in the number on feed in the Western States as the number in the Corn Belt was about the same as a year earlier. Shipments of feeder lambs from the seven leading markets during January, totaling nearly 103,000 head, were about 70 percent larger than in January last year. Range conditions in California are reported to be unusually favorable for the early spring lamb crop and it is expected that the movement of early California lambs to market this year will begin earlier than usual and be above average in volume. Market supplies of lambs during the next few months, therefore, are expected to be not greatly different from those of a year earlier. The general scarcity of hogs and the short supplies of fed cattle will tend to serve as
a price strengthening influence in the lamb market during the next few months but lamb prices are not likely to be in as strong a relative position as are prices of cattle and hogs.

WOOL

Slight declines were reported in prices of Ohio and similar fleece wools in the Boston market in the second half of January, but quotations on territory wools remained unchanged. Sales of wool at Boston have been fairly light since the middle of January. The spread between domestic and foreign prices of wool continues to be relatively wide, and price changes in the domestic market in the next few months will depend to a considerable extent upon developments in the wool markets abroad. Stocks of domestic wool were relatively large at the beginning of 1935 but stocks of cloth and semi-manufactures are reported to be low. The high rate of manufacturing activity of the last few months is expected to continue at least through the first quarter of the year and it now seems probable that the carry-over of the 1934 clip will not be as burdensome as had been expected earlier.

Wool prices in foreign markets have shown no material change in the last month. Prices at the close of the London sales on February 5 were about equal to the closing prices of the previous series of sales on December 11. Such changes as were reported indicated slightly higher prices for some types of crossbred wool. The most important developments at this series of sales were the reentry of Russian buyers and the substantial purchases made by Germany. It has been several years since wool has been purchased at London for Russian account.

Apparent supplies of wool in Southern Hemisphere producing countries at the beginning of 1935 were much larger than a year earlier and were about 11 percent above the average apparent supplies on January 1 of the 5 years, 1929 to 1933. However, the situation is believed to be partly balanced by smaller stocks of wool in European consuming countries. Imports retained by these countries and Japan in 1934 were 20 percent smaller than in 1933 and about 9 percent smaller than the average retained imports for the 5 years, 1928 to 1932. The increased activity reported in these countries in the final quarter of 1934 and the early part of 1935 should create a need for supplies of raw wool in the next few months.

For the week ended February 9 quotations for fine (64s, 70s, 80s) strictly combing territory wool at Boston averaged 76 cents a pound scoured basis and for 3/8 blood (56s) quotations averaged 66 cents compared with 87 cents and 81.5 cents a pound respectively for these grades during the week ended February 10, 1934. Strictly combing Ohio and similar 56s averaged 28.2 cents a pound grease basis, the week ended February 9 compared with 28.5 cents the week ended January 12 and 42.5 cents the week ended February 10, 1934. The United States average farm price of wool as of January 15 was 18.8 cents a pound compared with 18.5 cents on December 15 and 24.6 cents on January 15, 1934.

The Bureau of the Census reports that stocks of combing and clothing wool reported by dealers, manufacturers, topmakers and pullers on December 31, 1934 amounted to 382,199,000 pounds in grease equivalent compared with 433,931,000 pounds reported as of September 30. On a clean equivalent basis
stocks on December 31 were 164,115,000 pounds compared with 186,229,000 pounds on September 30. These figures cover practically all important holders of wool except growers. Similar figures for earlier years are not available for comparison but stocks held at the end of 1934 were believed to be larger than for several years.

Imports of wool by the United States in 1934 were smaller than in 1933 but they did not decline to the low levels of 1932. Imports (for consumption) of combing and clothing wool were 23,156,000 pounds in 1934 compared with 31,051,000 pounds in 1933 and a yearly average of 51,200,000 pounds in the 5 years, 1929-1933.

The Bureau of the Census reports that after an adjustment for the variation in number of working days the consumption of combing and clothing wool on a clean equivalent basis by 510 identical mills in the 5 weeks ended December 29 was 8.5 percent higher than in the 4 weeks ended November 24. The increase in November as compared with October was 38.4 percent and in October compared with September was 91.1 percent. Total consumption of such wool by mills representing practically the entire industry was 21,947,000 pounds in clean equivalent in the 5 weeks ended December 29 compared with 17,584,000 pounds consumed in the 4 weeks ended November 24. Mill consumption for the entire year 1934 was smaller than in any year for which records are available (since 1920). The rapid increase in consumption in the final quarter of 1934 followed a decline which had continued with little interruption from August 1933 to September 1934. The present high rate of activity is expected to continue at least through the first quarter of the year.

COTTON

Domestic cotton prices weakened considerably from early January to early February despite a substantial increase in domestic cotton consumption, the marked decrease in trade estimates of the 1934-35 Indian crop and higher prices of Indian cotton relative to American. Since February 2, however, domestic prices have recovered about 1/4 cent. Domestic exports during January were 37 percent less than a year earlier and for the first half of the season were 42 percent less than from August to January of the previous season. Foreign consumption of American cotton, however, has continued in excess of our exports, resulting in a substantial reduction in foreign stocks of American cotton.

From a level of almost 12-3/4 cents in early January the average price of middling 7/8 in the 10 spot markets declined to nearly 12-1/4 cents on February 2, but has since recovered to around 12-1/2 cents. The average for January was 12.55 cents compared with an average for January last year in the 10 markets of 10.91 cents. The farm price on January 15 was 12.3 cents compared with 10.3 last year and was the highest for the month since 1930.

Domestic cotton consumption during January showed a very substantial increase over December, was the largest for any month since March last year, and was the largest January consumption since 1930. The 547,000 running bales consumed in January was 32 percent larger than the 414,000 bales consumed in December which was a considerably greater increase than usually occurs from December to January. On the whole sales of cotton goods by manufacturers in January were perhaps considerably less than the rather large output. For the 6 months ended January 31 total domestic consumption amounted to 2,675,000 bales which was 248,000 bales less than consumption during the first half of last season.
On the whole cotton mill consumption in foreign countries apparently increased somewhat during January although consumption in these countries is comparatively low, particularly in Europe. In the Orient, cotton consumption in December was at or near a new record high level both in Japan and India.

Exports of American cotton during January amounted to 466,000 running bales or 37 percent less than the 739,000 bales exported in January 1934 and the smallest for the month since 1923. Average exports during January for the 10 years ended 1932-33 amounted to 791,000 bales or 70 percent more than exports in January this year. During the first half of the season total exports of American cotton amounted to 2,865,000 bales which represented a decline of 2,054,000 bales or 42 percent from the first half of 1933-34 and a decline of 43 percent from the 10-year average for this half year period. Foreign consumption of American cotton during the first 5 months of this season was only 22 percent less than a year earlier, however, according to estimates by the New York Cotton Exchange Service. Foreign stocks of American cotton have been reduced to the lowest level in many years indicating the unwillingness of foreign manufacturers and merchants to accumulate stocks during the first part of the season as is normally done. These low stocks and the marked reduction in foreign production make it seem likely that exports during the first half of the season will not decline nearly as much as usual compared with the first half. During the 10 years ended 1932-33 exports during the first half of the season averaged 64 percent of the total for the season.

The prospective foreign production of cotton for the current season has declined considerably during recent weeks owing to a marked reduction in the Indian crop as a result of unfavorable weather conditions. Trade estimates of the Indian crop are now 750,000 to 1,000,000 bales of 478 pounds less than their early estimates. The next official estimate of the Indian Government will be released around the 20th of February at which time the Bureau will revise its estimate of foreign and world production.
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, China, Japan, France, Italy, Germany, 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.