INDUSTRIAL PRODUCTION IN TEN COUNTRIES, 1920-36*

*These indexes are combined to form the weighted index of world industrial production. B.A.E.

Preliminary

It is expected that the recent devaluation of gold bloc currencies, together with some removal of quota restrictions and lowering of tariff rates, will result in improved economic conditions in the countries affected, and eventually will contribute to greater international trade and a broader foreign market for American agricultural products. Those countries which devalued their currencies several years ago have experienced marked recovery in economic conditions during the last few years, while countries not taking such action have shown relatively small increases in industrial activity.
The general level of farm prices, judging by the usual relationship between farm and market prices, appears to have declined slightly since mid-September. Slight advances in prices of wheat, cattle, and potatoes probably were not sufficient to offset declines in the prices of cotton, corn, hogs, lambs, butter, and cheese.

Wheat prices in the United States, except for white wheat in the Pacific Northwest, continue considerably above an export basis. This is to be expected during most, if not all, of the 1936-37 season because supplies of hard red and Durum wheats will be under domestic requirements. World prices this year are materially higher than in 1935-36 as a result of smaller world supplies. The feed situation was at least temporarily relieved by general rains over practically all of the drought area during September.

Feed grain prices declined during the last half of September and the first week of October in response to weaker demand and improved prospects for production. Changes in feed grain prices during the last 3 weeks indicate that weather conditions this fall and winter will have an important bearing on the trend of both grain and hay prices.

Because of short feed supplies, there will be a marked tendency to market hogs earlier than usual this fall and winter, thus causing slaughter supplies from October to mid-January to be larger in relation to the remainder of the 1936-37 marketing year. Some further seasonal decline in prices is in prospect, but from December through March the price movement is expected to be generally upward. It is expected that the supplies of well-finished fed cattle will begin to decline rather sharply by November, and any considerable decrease may be reflected in a rather sharp advance in prices. Prices of other kinds of slaughter cattle are expected to be fairly well maintained near September levels during the balance of this year, but stocker and feeder cattle prices may weaken further, depending somewhat upon weather conditions during the next 2 months. Supplies of lambs and sheep in September were larger relative to other months in the current marketing year beginning last May, and prices of slaughter lambs declined rather sharply during the latter half of September and early October.

Butter and cheese prices have declined slightly since mid-September because of the improved prospects for total dairy production during the fall. Although present prices are the highest in several years, it seems probable that prices will rise further during the winter, and for the winter and early spring of 1936-37 will average the highest since the beginning of the depression.

The United States potato crop improved slightly during September, but it is still the smallest since 1926 and will be the smallest per capita supply on record. Stronger markets developed in the principal terminals and at shipping points the second week of October, and it seems likely that the season low point in potato prices has been passed.
Cotton prices declined during the first 10 days of October owing in part to improvement in the condition of the new crop. Important price strengthening factors during recent weeks have been the very high degree of activity prevailing in the domestic textile industry and the comparatively small world supply of American cotton, even after allowing for any possible improvement in crop prospects.

The index of prices received by farmers in mid-September was 124 percent of the pre-war average. This is exactly the same as the index for August and compares with 107 for September 1935. The index of prices paid by farmers in September was about the same as in August, or 127 percent of the pre-war average. This compares with 123 percent in September 1935. The ratio of prices received to prices paid by farmers remained at 98 from August to September, which compares with 87 in September 1935.

WHOLESALE PRICES

The general level of wholesale prices showed little change from August to early October, remaining at about 119 percent of the 1910-14 average, the highest since October 1930. This steadiness is expected to continue for the balance of the year.

Prices of farm products and foods have increased slightly in recent weeks over the August average, with higher prices of grains, cereals, fruits and vegetables offsetting declines in prices of livestock, poultry, and meats, prices of commodities other than farm products and foods, after a slight recession in early September advanced a little in the first week of October to the highest point since December 1930. The greatest price rise in these groups in recent weeks occurred in chemicals and drugs, which have gained nearly 6 percent since June. Prices of textiles and miscellaneous commodities also advanced moderately since June, with smaller gains in all other specified groups.

Prices of raw materials and semi-manufactured goods are higher compared with a year ago and also compared with 2 years ago; prices of finished goods are lower than a year ago, but higher than they were 2 years ago. Prices of raw materials in the last 3 years have increased twice as much as have prices of semi-manufactured articles or finished goods, prices of raw materials having gained approximately 70 percent since early 1933.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the first week in October stood at 97.8 percent of the pre-war average, compared with 91.8 for the corresponding week 1 year ago, and 85.1 for that of 2 years ago.

The movement of wholesale prices in the major foreign countries was generally upward in September, with only two of the major foreign countries (Canada and Germany) deviating from the general upward trend. Prices in Canada, which in August were at the highest level in over 5 years, received a slight set-back in early September, but by mid-September Canadian prices had almost regained the August level. Prices in Germany, which had been rising steadily since January, reached the high point of the year in mid-August, but thereafter showed some decline.
The combined index of wholesale prices in the currencies of seven foreign countries, which are important markets for American farm products, advanced in August to 77 percent of the 1926 average, with all seven countries showing increases over prices for July.

The recent currency devaluation among the gold bloc countries is of general interest to agriculture. In less than 2 weeks (September 26 - October 9) France, Italy, Switzerland, the Netherlands, and Czechoslovakia abandoned gold payments at the former parities. Devaluation of currencies of these countries was accompanied by a weakening in the United States prices of hides, coffee, rubber, sugar, and burlap; prices of cotton and some other raw materials entering into world trade did not weaken. Recent efforts looking to the stabilization of important world currencies at approximately the existing parities is a favorable factor for continued strength in the world price structure.

BUSINESS CONDITIONS

The level of industrial activity in September was maintained at approximately the same level as in July and August. The upward trend of automobile production in prospect, together with the large volume of orders on hand with steel and textile manufacturers, and further expansion in industrial output in several other industries assure a continuation of industrial activity at least at present levels throughout the remainder of 1936. The high level of contract awards in recent months indicates that building construction in the next few months will be substantially higher than in the corresponding period a year ago.

The increase in industrial production and in building activity is being accompanied by increased employment and payrolls. The index of incomes of industrial workers has tended to move upward since February 1936 and is now at the highest level since 1930.

The devaluation of their currency by several European countries in the past month has relieved the tense monetary situation in Europe, and the recent steps which have been taken towards stabilization of the monies of the world are designed to stimulate foreign trade and stabilize international exchange. In France and Italy tariffs have been reduced and in some cases quota restrictions have been removed in an effort to lessen the advance in domestic prices and to stimulate the foreign trade of these countries.

Since mid-September automobile output in the United States has increased rapidly and production in the fourth quarter of 1936 is expected to be at least as great as in the same period of 1935. The backlog of orders for many types of steel products is the largest for several years and the outlook is for a continued high rate of activity in the steel industry for several months. Replacement of equipment by railroads, heavy retooling by many industries, and increased building activity are also stimulating output in other durable goods industries.
Cotton textile activity in recent months has been the highest for similar months since 1933 and in August was the highest since 1927. An unusually large volume of sales in September assures many mills of continued high rate of activity for several months. Rayon mill activity has fallen off slightly from the high level reached in August. Activity in wool textiles during the first 8 months of 1936 was only about 8 percent below the unusually large output of last year but stocks of wool textiles have been increasing and some further decline in output may occur during the remainder of the year.

Building contract awards declined slightly from August to September, However, total contracts awarded in September were about 40 percent higher than in September last year and for the first 9 months of 1936 they were 71 percent above the same months of 1935. Because of the lag between the awarding of contracts and the start of actual construction this increase in contracts awarded indicates a marked improvement in building activity during the next few months compared with a year earlier.

Retail trade increased more than seasonally from August to September. Department store sales after seasonal adjustment were about 1 percent higher than in the preceding month. Rural retail sales advanced 10 percent and variety store sales 6 percent. Mail order house sales also made more than the usual seasonal increase from August to September.

The recent devaluation of currency in several European countries and the stabilization agreement, together with the lowering of tariffs and removal of quotas on some commodities in France and Italy, are all forward steps toward relaxing the handicaps to increasing world trade. Any increase in world trade is likely to be accompanied by some increase in the foreign demand for American farm products, particularly if it is accompanied by further business expansion in foreign countries. During the last month industrial activity in most foreign countries has continued to improve. In Great Britain many industries are operating at capacity and the shortage of skilled labor in some industries is preventing an even more rapid increase in industrial output. Higher prices for raw materials and food stuffs has increased the purchasing power of countries producing these products and has especially benefited the Scandinavian countries, Argentina, and the British dominions. Business activity in Japan has continued the upward trend of the past 4 years and China's foreign trade is gradually increasing.

WHEAT

Wheat prices in the United States, except for white wheat in the Pacific Northwest, continue considerably above an export basis. This is to be expected during most, if not all, of the 1936-37 season because supplies of hard red and Durum wheats will be under domestic requirements. White wheat from the Pacific Northwest is again moving into export channels and at the highest prices since 1930. World prices this year are materially higher than in 1935-36 as a result of smaller world supplies. The absence of large world carry-over stocks this year suggests that prices will be more sensitive to new Southern Hemisphere crop developments than has been the case in recent years.
The sharp advances in domestic wheat prices which began the first part of September continued most of the month, reflecting an even sharper rise in prices at Winnipeg and Liverpool. The smaller Canadian crop and the disappointing yields and unfavorable harvesting weather in European importing countries, in the face of export supplies consisting largely of high-quality Canadian wheat, were largely responsible for the advance. During the last week in September the market turned down temporarily, influenced by some improvement in crop conditions in the Southern Hemisphere and the adjustments in the international exchange situation. However, thus far this month prices advanced again. The average United States farm price of wheat for September 15, before prices advanced from the mid-August levels, was 104.3 cents per bushel compared with 105.1 cents a month earlier, and 85.2 cents in September 1935. The average price of all classes and grades at six markets for the week ended October 10 was 128 cents per bushel compared with 119 cents for the week ended September 5, 1935, and 112 cents for the week of October 12, 1935.

The spread between United States markets and Liverpool has been narrower this year than during the past 3 years. This has been largely because Liverpool prices have reflected the relatively large proportion of high-priced Manitobas in its takings. United States prices recently, however, have increased relatively less than foreign prices. Chicago futures are currently about 6 to 7 cents above Winnipeg futures; whereas a year ago they were about 12 to 14 cents, and 2 and 3 years ago they were about 27 to 30 cents above. No. 2 Hard Winter at Kansas City is about 16 to 18 cents above No. 3 Manitoba Northern, compared with about 35 to 38 cents above a year ago, about 17 cents 2 years ago, and 25 to 29 cents 3 years ago.

The current year's wheat production in the United States is now estimated at 627,000,000 bushels, which is ample to take care of domestic utilization under normal conditions. However, during recent years, wheat feeding has been very heavy. In the last 6 years wheat growers have fed between 84,000,000 and 174,000,000 bushels of wheat annually compared with an average of less than 50,000,000 bushels during the preceding 6 years. Preliminary estimates of total supplies (carry-over plus production) by classes, compared with last year, indicate reductions in hard red spring and durum wheat of 46,000,000 and 12,000,000 bushels, respectively, but increases of 40,000,000 and 15,000,000 bushels, respectively, in hard red winter and white wheats. Supplies of soft red winter are about the same as a year ago. The increased supplies of other classes will partially offset the shortage in hard red spring wheat. While it is necessary to import hard red spring and durum wheat this season, it is expected that net imports will not be as large as in 1935-36.

Total world supplies of wheat, excluding Russia and China, in 1936-37 are estimated at 4,179,000,000 bushels which represents a decline of approximately 295,000,000 bushels compared with 1935-36. The reduced supplies are a result of a very short crop in North America and North Africa and a general reduction in stocks in nearly all countries. Wheat stocks at the beginning of the season were the smallest since 1926 and, with prospective utilization in excess of production, they are expected to be even further reduced July 1, 1937. While the beginning carry-over will be small, present winter acreage with near normal yields would again produce an excess over world requirements in 1937 and stocks at the end of the year would again increase.
CORN AND OTHER FEED GRAINS

General rains fell over practically all of the drought area during September, reviving pastures, increasing forage supplies, and at least temporarily relieving the feed situation. Feed grain prices declined during the last half of September and the first week of October in response to weaker demand and improved prospects for production. The weekly average price of No. 3 Yellow corn at Chicago declined 7 cents from the third week in September to the first week in October. No. 2 White oats at Chicago advanced about 2 cents during September, then lost most of this gain the first week in October. Barley prices moved independently higher, being supported by an active demand from broilers.

Changes in feed grain prices during the last 3 weeks indicate that weather conditions this fall and winter will have an important bearing on the trend of both grain and hay prices. Another severe winter would necessitate heavy feeding of limited feed supplies, force further liquidations of livestock, and give support to feed prices. A mild winter, on the other hand, will enable farmers in many sections of the drought area to carry their livestock on winter pasture with light feeding of roughage and grain.

Estimated production of feed grains increased 2.7 percent during September, largely as a result of improved prospects for the 1936 corn crop. October 1 oats and grain sorghum estimates were also slightly higher than the September 1 estimates; the barley estimate was slightly lower. Indicated production of corn on October 1 was 1,509,000,000 bushels, barley 144,000,000 bushels, oats 784,000,000 bushels, and grain sorghum 31,000,000 bushels. Total production of feed grains based on these estimates will approximate 60,000,000 tons, 11 percent more than in 1934 but 35 percent less than last year and 40 percent below the 1923-32 average.

The United States average farm price of corn on September 15 was 104.7 cents, which was about the same price per bushel as wheat. However, in sixteen States, including three Corn Belt States, Missouri, Kansas, and Nebraska, corn was substantially higher than wheat. The amount of wheat fed during the present marketing year is expected to be about the same as the 95,000,000 bushels fed last year.

The margin between cash corn prices at Chicago and Buenos Aires has been greater than 50 cents since last July, which is more than sufficient to allow for shipment of Argentine corn to interior United States markets. Importations from Argentina have increased substantially since early August, but are still running below the period of heaviest shipment in 1935. Total August importations were reported at 1,549,000 bushels compared with 8,554,000 bushels for August last year and 195,000 bushels in August 1934.

Supplies of grain per grain-consuming animal during the current marketing year will be slightly larger than 2 years ago. The number of hay-consuming animals is expected to be smaller during the present marketing year than 2 years ago, while hay production is estimated to be 30 percent higher than the 1934 production.
The United States potato crop improved slightly during September. On the basis of October 1 conditions, the crop is indicated to be about 322,263,000 bushels, or about 65,000,000 bushels less than in 1935 and 50,000,000 below the 1928-32 average production. As the indications now stand, this year's potato crop is the smallest since 1926, when 321,607,000 bushels were harvested, and is the smallest per capita supply on record.

For the 27 late and intermediate States the crop is indicated to be 296,367,000 bushels, or 58,000,000 less than in 1935 and 43,000,000 less than the 1928-32 average. The 1936 crop in this group of States is also the smallest since 1926. The supply marketed from these States has an important influence on the fall, winter, and early spring prices. If the supply is short, as it is this season, price advances may be expected from October to April, or until new crop supplies arrive on the market in sufficient quantities to affect the price situation.

Farm and wholesale prices of potatoes normally reach a seasonal low point in October, after diggings are fairly well completed. By this time the situation is generally better understood. There is less hauling direct from fields to shipping centers and to market, and farmers are less disposed to sell portions of the crop going into storage except at advanced prices.

Stronger markets developed in the principal terminals and at shipping points the second week of October, and it is quite likely that the season's low point in price has been passed. Wisconsin round whites were selling at $1.70 - $1.90 per 100-pound sack on the Chicago carlot market near the close of the second week of October. The preceding week Wisconsin Cobbler sold at $1.65 - $1.75. Idaho Russet Burbanks recently reached a top of $2.35 per 100-pound sack in Chicago, showing advances of 10 to 15 cents within a few days' time. These prices compare with 80 to 90 cents for Wisconsin round whites and $1.50 - $1.75 for Idaho Russet Burbanks during the corresponding week a year ago. The New York market recently quoted l.c.l. prices of Maine Green Mountains and Long Island Cobbler at $1.75 - $2.15 per 100-pound sack, compared with 85 cents to $1.15 a year ago.

Since early October, carload f.o.b. shipping point prices at Presque Isle, Maine, have advanced from $1.30 to $1.40 - $1.45 sacked per hundredweight. Recent quotations at shipping points in Wisconsin were $1.50 - $1.55 per 100-pound sack, carloads f.o.b. usual terms. On corresponding dates in October 1935, f.o.b. prices at Waupaca, Wisconsin, held around 65 cents per sack, and shippers in Maine were receiving about 50 cents per 100 pounds of Green Mountains.

The average United States farm price of potatoes was estimated to be about $1.14 per bushel on September 15, as against $1.28 on August 15, about 48 cents per bushel on September 15, 1935, and 74 cents the September average for 1909-13.

Shipments by rail and boat during the week ended October 10 totaled about 5,200 cars, compared with 4,185 a week earlier and 4,880 during the corresponding week in 1935. The season's total through October 10 was 84,156 cars. Up to the corresponding date last season, about 76,855 cars had been shipped.
FLUE-CURED TOBACCO

Warehouse auction prices to producers of flue-cured tobacco averaged 21.6 cents per pound during September, compared with 21.7 cents during August, and 18.5 cents during September of the previous year. Auction sales for the 1936 season to October 1, compared with the same period for earlier years, are as follows:

Tobacco, flue-cured, types 11, 12, 13, and 14: Production, sales to October 1, and average auction price to producers, 1930-36

<table>
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<th>Year</th>
<th>Production:</th>
<th>Quantity sold</th>
<th>Percentage of production</th>
<th>Price</th>
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<td>Percent</td>
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<td>237,372</td>
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1/ October 1 estimate.

The markets for the South Carolina Bolt (type 12) opened August 13. The average price for August was 23.2 cents per pound; for September, 21.1 cents and for the season to October 1, 21.8 cents. The eastern North Carolina Belt (type 12) opened its markets September 1 with an average price for the month of 21.5 cents per pound. The markets in the Middle Belt (type 11b) opened September 22 with sales for the remainder of the month amounting to 12,187,000 pounds at an average price of 24.8 cents.

The 1936 supply of flue-cured tobacco now appears to be about 1,557,700,000 pounds (farm sales weight) which is less than 1 percent below the 1935 supply, but 18.0 percent above the 1934 supply. The flue-cured exports for the first 2 months of the fiscal year 1935-37, were 34,354,000 pounds and for the same period in 1935-36 they were 24,334,000 pounds. The larger part of the domestic consumption of flue-cured tobacco is in the manufacture of cigarettes. Cigarette consumption, as shown by tax-void withdrawals for the first 8 months of the calendar year 1936, reached a record high of 100,821,267,000, which is 11.1 percent above that of the same period in 1935.
Hogs prices declined after mid-September in response to a seasonal increase in marketings, but near the end of the month and during the early part of October they made some recovery. Because of short feed supplies there will be a marked tendency to market hogs earlier than usual this fall and winter; thus causing slaughter supplies from October to mid-January to be large in relation to supplies during the remainder of the 1936-37 marketing year. Some further seasonal decline in prices is in prospect, but from December through March, the price movement is expected to be generally upward.

The weekly average price of all hogs at Chicago declined from $10.26 per 100 pounds, the 1936 summer peak, recorded the second week in September, to $9.38 in the fourth week of the month but recovered to $9.80 in early October. Prices of butcher hogs started downward in late August and dropped steadily for 5 weeks before the decline was checked, whereas prices of packing sows did not begin to decline until mid-September. Decreasing supplies of the latter, after mid-August, and increasing marketings of 1936 spring pigs accounted for the differences in the price movements. The September average of hog prices at Chicago was $9.89 compared with an average for August of $10.06 and an average for September last year of $10.95.

Hog slaughter under Federal inspection during September, totaling 2,403,000 head, was 6.6 percent larger than that in August and 55 percent larger than the unusually small slaughter of September last year. Compared with the 2-year September average, however, the total was nearly 10 percent smaller. The increase over a year earlier was relatively greater than the increases recorded in other recent months and undoubtedly reflected liquidation of both packing sows and early spring pigs.

Marketings of packing sows during July and August were unusually large in relation to the number of other hogs marketed at that time, but after mid-August the proportion of sows in the total dropped sharply and that of new-crop hogs increased. This change in the proportionate distribution was reflected in the average weights of hogs slaughtered. In August the average weight for the seven principal markets combined was 256 pounds, whereas in September it was only 232 pounds, or 18 pounds lighter than the September average of the previous year.

There was little change in the hog-corn price ratio in recent weeks and it still continues unfavorable for hog feeding. The monthly average for September, based on Chicago prices was 8.8 compared with an average of 8.9 for August and 13.2 in September 1935. The ratio is expected to continue relatively unfavorable for hog producers until at least the spring of 1937 but probably will become more favorable after that time.

Wholesale prices of fresh pork dropped sharply during the second half of September because of increased supplies, but the decline was checked near the end of the month and a slight recovery occurred in early October. Further declines are anticipated as prices are adjusted to the seasonal increase in hog marketings during the next several weeks. Prices of cured pork and lard also declined rather sharply at Chicago during September and in early October, but held fairly steady at New York until near the end of the period, when some weakness developed. Prices of cured pork usually decline from early fall until late February and rise during the spring and summer.
Storage holdings of pork and lard were further reduced during September, at about the usual seasonal rate for that month. Stocks of pork on October 1, totaling 361,651,000 pounds, were about 14 percent smaller than those reported September 1, and 25 percent less than the 5-year average at the beginning of October. However, they were 30 percent larger than the unusually small stocks on hand on October 1, 1935. Lard stocks, totaling 101,634,000 pounds, were 8 percent smaller than those of September 1, about equal to the 5-year average for October 1, and 124 percent greater than the very small stocks on hand a year earlier. The heavy slaughter of packing sows in recent months has tended to prevent lard stocks from increasing as much as they usually do during August and September. Because of the prospect of small lard yields during most of the 1936-37 hog marketing year, there may be a greater than usual tendency to accumulate increased stocks during the coming winter.

CATTLE

The prices of slaughter cattle continued to strengthen during September, the average weekly price of choice steers at Chicago the last week in the month reaching the highest point since late in April and the average price of all beef steers the highest since January. Prices of better grades of butcher cattle advanced with steers, but low-grade cows and heifers weakened during the latter part of the month. Part of the loss was regained during the first week in October, however. Prices of stocker and feeder steers, after advancing during the first half of the month, weakened during the second half, but were at a little higher level at the end of September than a month earlier.

The average monthly price of beef steers at Chicago for September was $9.16 compared with $8.46 in August and $10.36 in September 1935. The September 15 farm price of beef cattle was $5.88 compared with $5.71 a month earlier and $6.41 a year earlier. Prices of veal calves advanced rather sharply during September and later in the month reached the highest level since February. The September 15 farm price of veal calves was $7.42 compared with $7.05 a month earlier and $7.64 a year earlier.

Slaughter of cattle and calves in September continued very large. Although receipts of cattle at seven leading markets were little different from those of September 1935, inspected slaughter amounting to 1,072,000 head was 23 percent larger than in September 1935, 37 percent above the 5-year September average, and the second largest commercial slaughter for the month on record, being exceeded only in 1918. Inspected slaughter of calves of 583,000 head was 27 percent larger than a year earlier and the largest for the month on record. The proportion of well-finished cattle in the slaughter supply was unusually large. The receipts of choice steers at Chicago were not only much the largest for the month but the largest for all months for the 15 years for which records are available. Likewise, the proportion of all native beef steers, grading good and choice, at Chicago, was the largest for any month on record. Shipments of stocker and feeder cattle from 12 leading markets into the Corn Belt States in September were a little smaller than in September 1935 and about the same as in 1934. The Surplus Commodities Purchase Corporation found it necessary to buy only very few cattle in September as the prices of low-grade cattle held up well at all markets.
Slaughter of cattle and calves is expected to continue large during the balance of the year, with the combined yearly total of inspected slaughter the largest on record for commercial slaughter. By November it is expected that the supply of well-finished fed cattle will begin to decline rather sharply. In view of the strong market for the large supply in September, any considerable decrease may be reflected in a rather sharp advance in prices. Prices of other kinds of slaughter cattle are expected to be fairly well maintained near September levels during the balance of this year, but stocker and feeder cattle prices may weaken further, depending somewhat upon weather conditions during the next 2 months.

**LAMBS**

Prices of slaughter lambs were maintained fairly well during the first half of September, but declined rather sharply during the latter half, and early in October the top on lambs at Chicago dropped below $9.00 for the first time since the middle of 1935. On the other hand, prices of feeder lambs held up fairly well, especially for the better grade of heavier average weights, and the spread between slaughter lamb and feeder lamb prices narrowed materially. Prices of slaughter ewes changed little during September.

The average price of good and choice slaughter lambs at Chicago for September was $9.38 compared with $9.53 in August and $9.34 in September 1935. The September 15 farm price of lambs was $7.43 compared with $7.59 a month earlier and $7.23 a year earlier.

Market supplies of lambs and sheep in September were large relative to other months in the current marketing year beginning last May. Receipts at seven leading markets were 12 percent larger than in September 1935, and inspected slaughter of 1,592,000 head was 3 percent larger than a year earlier and about the same as the 5-year average. September is the first month during the present marketing year in which slaughter exceeded that of the corresponding month of 1935. The market supply was of rather poor average quality and included quite a few light-weight lambs which came originally from the drought area of the Northern Great Plains, but many of which had been shipped to eastern points for summer pasture. Such lambs sold mostly for feeding purposes at prices $2.00 or more below those for feeders of good weights and quality. Shipment of feeder lambs from 12 leading markets in the Corn Belt States were 30 percent larger in September this year than last but 23 percent smaller than in September 1934.

In view of the large increase in the 1936 lamb crop in the Western States, and the relatively small summer marketings of lambs, supplies of grass lambs in October and November are expected to be larger relative to other months during the current marketing year. The percentage of lambs in feeder condition probably will continue fairly large in these months. Prices of slaughter lambs will probably not change much from the level reached early in October, but some weakening in prices for feeder lambs may take place.
BUTTER

Butter prices have declined slightly since mid-September in contrast to the seasonal increase which usually occurs at this time of the year. In the last 2 months there have been widespread rains in the important dairy sections, pastures have improved, and production has been considerably larger than appeared probable earlier in the season. Even though fall production may be relatively large, winter and early spring production in 1937 is expected to be light because of the short supplies and relatively high prices of feed. Low storage stocks of butter, prospects for low production, and increased consumer purchasing power indicate that even though present prices are the highest in several years, there will probably be a rise in butter prices during the remainder of the year, and prices during the winter of 1936-37 probably will average the highest in 7 or 8 years.

The price of 92-score butter at New York averaged 36.0 cents for the week ended September 12, and 33.5 cents for the week ended October 3. In September the price averaged 35.0 cents. This was 0.5 cents less than in August, but 6.9 cents more than that of a year earlier and the highest for the month since 1930.

The farm price of butterfat in mid-September of 35.5 cents was about the same as that of a month earlier but 10.6 cents higher than in the same month of 1935. The farm price of butterfat in September was equivalent to the farm price of 21.0 pounds of feed grains, compared with 21.7 a year earlier, and the 15-year (1920-34) average for September of 28.9 pounds. The relatively low price of butterfat compared with prices of feed grains, together with the shortage of feeds, are the principal factors indicating relatively light production during the coming feeding period.

The production of creamery butter in August of 139,400,000 pounds was 12.5 percent less than in the same month of the preceding year and the lowest for the month since 1930. The decline of 8.3 percent in production from July to August was decidedly less than the usual seasonal decline, and the index number of production, which is adjusted for seasonal variation, rose from 91 in July to 96 in August. With the widespread rains in many of the important dairy areas, it seems probable that fall production may be relatively high compared with summer production, but during the coming winter production will probably be relatively low.

Trade output of butter in August was 13.5 percent less than that of a year earlier and the smallest for the month since 1925. Retail prices, however, were 37 percent higher than in August 1935. These changes indicate an increase of 21 percent in consumer expenditures for butter from the corresponding month of 1935. With improvement in employment and pay rolls it seems probable that during the coming winter consumer expenditures for butter will continue decidedly higher than in the winter of 1935-36.

Storage stocks of creamery butter on October 1 were 40,000,000 pounds less than those of a year earlier. The decline in stocks, together with prospects for low production, indicates smaller domestic supplies during the coming winter than in 1935-36, or for several preceding years.
In early October the price of New York butter at New York was 11 cents higher than that of New Zealand butter in London; butter from non-British countries has to pay an import duty of 3.3 cents per pound when imported into England. Russian butter was recently offered for sale in New York at 18.0 cents per pound c.i.f. The offered price plus the duty would be 32.0 cents. The London quotation as of September 24 for the same grade of butter was equivalent to 21.3 cents, which, after deducting the 3.3 cents duty, would leave the price realized in London at 18.0 cents, the same as the offered price in New York. This price comparison indicates that any further rise in domestic prices in relation to London will probably make the price margin wide enough to stimulate imports from non-British countries. In August imports amounted to 1,200,000 pounds.

**CHEESE**

Cheese prices declined slightly from early September to early October because of the improved prospects for total dairy production during the fall. Cheese production in August was less than that of a year earlier, but high compared with that of other years. Stocks are less than a year ago but are still above average. The movement of cheese into consuming channels has been high and will probably remain high during the coming winter. Even though present prices are the highest in several years, it seems probable that prices will rise further during the winter and, for the winter and early spring of 1936-37, will average the highest since the beginning of the depression.

Cheese prices (twins) on the Wisconsin Cheese Exchange declined 1/2 cent a pound from early September to early October. The price in September averaged 17.3 cents per pound compared with 17.6 cents a month earlier and 14.1 cents a year earlier.

Cheese production in August of 57,700,000 pounds was 13.6 percent less than a year earlier, but, except for 1935, was the highest on record for the month. The 13-percent decline in production from July to August was about the same as the usual seasonal decline.

The movement of cheese into consuming channels in August of 53,900,000 pounds was 8.9 percent less than in August 1935, but 22 percent above the 1925-29 August average. Retail prices of cheese in August were 15 percent higher than a year earlier. These changes indicate an increase of 5 percent in consumer expenditures for cheese. Cheese consumption during the coming winter will probably continue relatively high, even though retail prices are higher than they were a year ago.

Storage holdings of American cheese on October 1 of 98,500,000 pounds compare with 102,700,000 pounds a year earlier and the 5-year average of 90,000,000 pounds.

Imports of cheese have increased. Total imports for the first 8 months of 1936 were 36,300,000 pounds compared with 30,400,000 pounds in the same months of 1935. Higher domestic prices have stimulated imports.
POULTRY AND EGGS

September market prices of eggs usually average above those for August, but there was no such advance this year. With receipts less than a year earlier and storage stocks lower, however, prices resumed their seasonal advance during early October. A greater than seasonal decline in farm prices of chickens in September was largely due to very heavy receipts of poultry. The seasonal decline of poultry prices from May to December this year is likely to be greater than average because of the large supplies expected.

The market price of midwestern special packed eggs at New York averaged 29.6 cents per dozen in September, compared with 29.6 cents in August and 31.9 cents in September 1935. The farm price rose, however, from 22.4 cents on August 15 to 24.5 cents on September 15, which is still below the price of 26.4 cents for September 1935. The farm price of chickens declined to 14.9 cents on September 15, 0.6 cents below that of a year earlier.

Receipts of eggs at the four markets in September were 724,000 cases compared with 719,000 cases a year earlier and a 5 year average of 742,000 cases. During the remainder of the year receipts may run less than in 1935, however, since the relation of feed costs to egg costs is not favorable to heavy feeding for egg production.

Receipts of dressed poultry at the four markets in September were 27,000,000 pounds compared with 21,300,000 pounds a year earlier and a 5 year average of 25,300,000 pounds. Only in 1931 were September receipts greater than they were this year.

Storage stocks of case eggs on October 1 were 5,317,000 cases as compared with 6,353,000 cases a year ago and a 5 year average of 6,695,000 cases. Storage stocks of frozen poultry on October 1 were 82,076,000 pounds compared with 37,700,000 pounds a year ago and a 5 year average of 47,600,000 pounds.

WOOL

Wool prices on the Boston market remained firm during September, although trading was limited. The spread between domestic and foreign prices at the present time, however, is much wider than a year earlier, and unless foreign wool prices continue to increase, domestic prices are not likely to advance much further without attracting larger imports. No material advance in foreign prices appears probable in the next few months. Consumption of apparel wool by United States mills from January through August was 8.5 percent smaller than in the same months of last year, but was larger than in the corresponding period of any previous year since 1923. Consumption during the remainder of the year is likely to be considerably smaller than in the corresponding period of 1935.
Prices for all good quality wools at the fifth series of the 1936 London wool sales held from September 15 to September 25, were equal to or higher than prices at the July series. Advances on merino wools were slight. Prices of crossbred wools were 5 to 10 percent higher than in July. Prices at Australian sales have been firm to slightly higher since the middle of September. There has been no check to the upward trend in the wool manufacturing industry of the United Kingdom. Consumption by English mills in the first 8 months of 1936 was unofficially estimated to be about 10 percent larger than in the same months of last year. Continental European wool industries are still hampered by exchange difficulties.

Supplies for the 1936-37 wool season are not expected to show much change compared with the preceding season. Preliminary estimates of wool production in 1936 for 18 countries show an increase of 2 percent above 1935. This increase in production, however, amounting to about 50,000,000 pounds, is largely offset by a reduction in stocks in the five principal Southern Hemisphere countries at the beginning of the new export season.

Stocks of raw wool were also believed to be smaller than last year in practically all consuming countries except Japan.

Quotations for fine (64s, 70s, 80s) staple territory wool at Boston for the week ended October 3, averaged 99 cents a pound, scoured basis, the same as a month earlier. In the first week of October 1935 this wool averaged 79.5 cents. Territory 56s combing wool averaged 79.5 cents a pound, scoured basis, for the week ended October 3 compared with 73 cents a month earlier and 68 cents a year earlier. The United States average farm price of wool on September 15 was 26.5 cents a pound compared with 27.2 cents on August 15 and 20.9 cents on September 15, 1935.

Domestic mill activity increased in August. The weekly average consumption of apparel wool by United States mills was 5,751,000 pounds, scoured basis, in August compared with 4,330,000 pounds in July and 6,639,000 pounds in August 1935. After adjustment for seasonal changes, consumption in August showed an increase for the fourth consecutive month. Trading in the wool goods markets was reported to be slow in September.

Stocks of manufactured goods in the hands of distributors were reported to be large at the end of August and a period of liquidation rather than restocking was anticipated for the fall months.

United States imports of apparel wool for consumption were 6,062,000 pounds in August compared with 6,895,000 pounds in July and 1,629,000 pounds in August 1935. In the first 8 months of this year imports of apparel wool for consumption totaled 75,000,000 pounds compared with 14,000,000 pounds imported in the same months of 1935.

Since May the quantity of foreign wool consumed in the United States has exceeded imports. Stocks of foreign apparel wool in bonded warehouses which totaled 32,000,000 pounds on May 1, were reduced to 22,000,000 pounds by August 1 and a further decline was indicated for September. Stocks on August 1, 1935, were only 12,000,000 pounds.
COTTON

Cotton prices strengthened at the beginning of the second week of September in response to the announcement of a smaller prospective cotton crop than had been anticipated by the trade. Prices were comparatively steady during the remainder of September, but declined materially during the first 10 days of October. The prospective total world supply of American cotton for the current 1936-37 season of about 13,600,000 bales is the smallest for any year since 1924-25 and is considerably below the average of recent years. World cotton consumption reached a record high level last season and the consumption of American cotton was considerably above 1934-35, although most of the increase in the consumption of American was accounted for by an increase in consumption in the United States. Mill activity continues at a high level throughout the world as a whole, especially in the United States, the United Kingdom, and Japan.

The price of Middling spot cotton at the 10 markets averaged 12.05 cents per pound in September compared with 12.07 in August and 10.48 cents in September of last season. The high for the month was 12.33 cents on September 12 and the low 11.61 cents on September 1. The averages for the weeks ended October 3 and October 10 were 12.24 and 12.07 cents, respectively. Prices declined during the first 10 days of October owing at least in part to, improvement in the condition of the new crop. Important price strengthening factors during recent weeks have been the very high degree of activity prevailing in the domestic textile industry and the comparatively small world supply of American cotton even after allowing for any possible improvement in crop prospects.

The October 1 report of the Crop Reporting Board estimates the 1936-37 crop at 11,609,000 bales. This is an increase of nearly 500,000 bales over the September 1 estimate and is an increase of 9 percent over actual production in 1935-36. The indicated yield per acre is 186.9 pounds or about the same as last year and 17 pounds more than the average yield in the 10 years ended 1932-33. The condition of the crop improved during the month in all of the important cotton growing States except Texas and Oklahoma. The estimate of a crop of 11,609,000 bales plus a world carry-over of approximately 7,000,000 bales gives a total supply of American cotton of about 18,600,000 bales which is 9 percent less than the average supply in the 10 years 1923-24 to 1932-33, and 20 percent less than average supply in the 5 years 1931-32 to 1935-36.

Total world mill consumption of all kinds of cotton, on the basis of data furnished by the International Federation of Master Cotton Spinners' and Manufacturers' Association, is estimated to have been about 26,300,000 bales in 1935-36, an increase of more than 6 percent over 1934-35 and of nearly 14 percent over average consumption in the 10 years ended 1932-33. World consumption of American cotton amounted to between 12,600,000 and 12,700,000 bales and was 12 percent greater than in 1934-35, but 6 percent less than the 10-year average. Most of this increase in the world consumption of American in 1935-36 compared with the previous year, occurred in the United States, the increased utilization in foreign countries amounting to only 300,000 to 400,000 bales. In foreign countries mill consumption
of all cotton of nearly 20,500,000 bales in 1935-36 was 3 percent above 1934-35 and 19 percent above the 10-year average, while the consumption of American cotton was 6 percent greater than in 1934-35 and between 14 and 15 percent less than in the 10 years ended 1932-33. Last season, American cotton represented 47.2 percent of total world mill consumption of all kinds against 45.0 percent in 1934-35 and the 10-year average of 57.4 percent.

Domestic mill activity continues to be very high. Cotton consumption in September amounted to 630,000 bales, an increase of nearly 40 percent over consumption in the corresponding month of 1935. This is the highest consumption for any September. Trade reports indicate that sales of both finished and unfinished goods during the last month have been equal to or in excess of current production. The prices of goods have tended to rise and mill margins have widened on such standard lines as print cloths and sheetings. Mills are active and cotton consumption is comparatively high in most foreign countries with the exception of Germany, Italy, and Spain. Mill activity in the United Kingdom is appreciably higher than a year ago, and it is reported that during recent weeks sales of yarn and cloth have tended to exceed output. It is possible that the devaluation of the franc and lira will aid exports of cotton textiles and hence increase cotton consumption in France and Italy, although gains in their export trade may be at the expense of the United Kingdom and textile industries in other countries using large quantities of American cotton. Reports are to the effect that mill activity has tended to increase in Japan in recent weeks.

Exports of cotton from the United States were 570,000 bales in September compared with 487,000 bales in September of last season and an average of 751,000 bales for the 10 years ended 1932-33.
Business statistics relating to domestic demand

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1/ Federal Reserve Board index, adjusted for seasonal variation.
3/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
4/ Weighted average of index numbers for seven foreign countries (recomputed to omit Italy, for which data are not now available) - United Kingdom, Canada, China, Japan, France, Germany, and the Netherlands.
6/ Dow-Jones index is based on daily average closing prices of 30 stocks.