WHOLESALE PRICES OF SELECTED FARM AND INDUSTRIAL PRODUCTS, 1937 HIGH AND 1938 LOW, WEEKLY AVERAGE PRICES AS PERCENTAGES OF PRICES FOR WEEK ENDED JULY 30, 1938

FARM PRODUCTS

- HIGHEST PRICES IN 1937
- PRICES FOR WEEK ENDED JULY 30, 1938
- LOWEST PRICES IN 1938

INDUSTRIAL PRODUCTS

- HIGHEST PRICES IN 1937
- PRICES FOR WEEK ENDED JULY 30, 1938
- LOWEST PRICES IN 1938

U.S. DEPARTMENT OF AGRICULTURE

BUREAU OF AGRICULTURAL ECONOMICS
DOMESTIC DEMAND

The decline in industrial activity was halted in June, and definite improvement occurred in July. This reflected mostly increases in textile and steel mill activity, although encouraging signs were evident in many different lines, particularly in consumers' goods. Industrial payrolls, employment and consumer incomes, however, continued to decline in June, and the figures for July may show further slight declines which should be less than seasonal. Thus far, the prospective improvement in consumer purchasing power and demand for farm products this fall and winter has been reflected only in small measure in the prices of farm products.

The rise in industrial activity came somewhat earlier than had been expected. Many buyers in the wholesale and retail trades, expecting some further business recession and possible price concessions during the summer, had been withholding orders otherwise justified by their sales and inventory positions. The sudden rise in the stock market, coupled with the development of other favorable signs, caused a sudden increase in buying in several lines, particularly textiles. This brought sufficient increases in the rate of output in the affected industries to more than offset declines in others.

Additional evidence of depletion of inventories has accumulated during the past month. According to the Department of Commerce, during the first 6 months of 1938 reporting manufacturers' sales were 24-1/2 percent below a year earlier. Wholesale and retail trade were down only 15 percent, however, indicating a reduction of inventories of wholesalers amounting in physical volume to perhaps 10 percent. Other evidence points also to reductions in the inventories of retailers, which for reporting department stores were 12 percent less in dollars at the end of June than at the corresponding date last year. Since many important users of steel have been almost entirely out of the market for months, during which time they have continued to produce finished products at a reduced rate, the reduction of inventories of steel no doubt has been heavy. This is further indicated by the increase in steel output from about 28 percent of capacity in early July to 40 percent in early August, resulting largely from increased orders from miscellaneous small buyers. Buying of steel for new model automobiles has hardly begun.

This evidence of generally reduced inventories, together with recent improvement in retail and wholesale trade and manufacturers' sales, points to further increases in the output of consumers' goods and materials. Evidence of forward buying, however, continues scarce. The initial rapidity of many recovery movements has been due largely to forward buying based on expectations of higher prices. So far in the present recovery, this price stimulus has been relatively mild, and no large amount of forward buying is in early prospect. This should help to sustain the improvement in future months, but also implies a less sharp initial upswing than has occurred in many recovery periods.
Favorable conditions pointing to a continuation of the initial recovery movement with no serious reaction are: (1) the gradual increase in Government expenditures as new construction projects get under way, (2) increased physical needs for durable consumers' and producers' goods which have accumulated during a year of drastic reduction of industrial output, (3) a favorable residential building situation, with the volume of such construction in recent months almost as great as last year, (4) the relatively small amount of financial deflation which occurred during the recession as compared with other similar periods, which leaves both consumers and producers in a better position to continue normal operations when fears have been dissipated.

Some of the uncertain factors in the economic situation which could seriously interrupt the recovery movement are: (1) the possibility of a material reaction which might follow a too rapid initial upward movement of business activity and security prices, followed by a return of pessimism among business men and postponement of longer time commitments, (2) less favorable prospects for agriculture, with relatively low prices for some important crops accompanying increased stocks and the necessity of curtailing production, (3) difficulties in bringing various industrial costs and prices into better alignment, (4) the possibility of serious adverse developments in the foreign situation. Continuation of the downward movement of world industrial activity which began last fall might turn the tide of recovery in this country despite the generally favorable domestic prospects.

Taking all of these indications into account, and recognizing that consumer incomes lag behind and change less erratically than industrial activity, it appears that moderate improvement in consumer buying power and the domestic demand for farm products will be experienced through the fall and winter.

FOREIGN DEMAND

As measured by the value of exports, the foreign demand for farm products of the United States has held up well during the past year. For the 12 months ended June 30, 1938, the value of these farm exports exceeded by 155 million dollars the value for the year 1936-37. The export value of grains alone was more than 5 times that of the preceding year, exceeding it in value by almost 180 million dollars. Compared with the previous year the value of tobacco exports gained 20 million dollars, and all other farm exports except cotton gained 27 million dollars. Exports of cotton decreased 71 million dollars. The huge increase in the grain exports reflected both the above-average United States production of 1937 and poor crops in other important producing countries.

These increases in total value of exports, however, do not adequately measure changes in foreign demand during this period. World prices of cotton, wheat, wool and other commodities declined greatly, although this was partly due to conditions in the United States. Since domestic prices of these
commodities are directly affected by changes in world prices, it is probable that the net influence of foreign conditions has been toward somewhat lower prices for farm products in this country.

In recent months, foreign industrial production and also, apparently, the foreign demand for United States farm products, have been fairly steady. The index of world industrial production, excluding the United States, increased one point from April to May, to 139 percent of the 1923-25 average. This followed a downward trend which set in last November. The Economist index of prices of primary products has risen 4 percent since the 1938 low point was reached in early June.

Industrial production in England rose slightly in June from the 1938 low point in May. The speeding up of the rearmament program has helped offset the contraction in export orders and in the domestic demand for both capital and consumer goods. Declines have been most severe in industries largely dependent upon the export trade. Compared with a year ago unemployment has increased by 10 percent or more in the tin plate, textile, and paper trades. Largely because of the time lag between the placing and completion of orders, the level of activity in the capital equipment and building trades has been relatively stable. The value of building plans approved (excluding special Government work), which provides a measure of future activity, is below that of a year earlier. The decline largely reflects the rapid downturn of industrial and ordinary commercial building.

Industrial production in Germany has increased more than 10 percent since January. In France and Poland, industrial activity continues to decline.

Conditions in foreign countries largely engaged in supplying raw materials, such as rubber, hides, tin, silk and wool, have been adversely affected by the business recession in the United States, which has been one of the largest markets for these commodities. The physical volume of United States imports has fallen about one-third since October, representing a drop of about 6 percent in total world imports. Consequently, the 1938 total value of sales abroad by many of these raw material producing countries will probably be materially below that of 1937, although not below the level of 1936. Prices of the exported products in these countries, relative to prices of finished industrial products which they import, have declined since the early part of 1937, thus reducing the buying power of these nations in terms of physical goods.

In view of the prospective business recovery in the United States, prospects for continued heavy expenditures for armaments during the coming year, and recent improvement in raw material prices which will give greater purchasing power to the countries which produce these products, it seems probable that the foreign demand for American farm products will experience some improvement during the fall and winter.
WHOLESALE PRICES

The general trend of wholesale prices has been slightly downward since the short, rapid rise that reached a peak in mid-July. The index of 813 wholesale price series of the Bureau of Labor Statistics in early August was back to 78 percent of the 1926 average, at which level it clung from April to early July. Although the initial stages of nearly all recovery periods have been characterized by a rising level of wholesale prices, weakness in prices of a number of important farm products, and possible declines for some finished industrial products such as automobiles, point to a rather irregular movement of wholesale prices during the remainder of this year.

The upturn in industrial raw material prices in recent weeks, following about a year of decline, is illustrated with selected commodities in the chart on the cover page. Prices of important farm products with few exceptions rose relatively little, and some of the gains already have been erased. The prospective improvement in business activity has been reflected in prices of industrial raw materials, whereas increased demand for most farm products must await actual improvement in consumer incomes. Increased supplies of some non-perishable farm commodities have more than offset prospective improvement in demand, and prices have sagged.

The ratio of wholesale prices of farm products to nonagricultural products for the week ended August 6 was 81 percent of the pre-war level, compared with 94 for the corresponding week a year earlier.

The combined index of wholesale prices in nine foreign countries that have a considerable influence on the foreign demand for our farm products, at 86.8 percent of the 1924-29 average in June, was unchanged from the revised figures for May. Prices in England for July were somewhat above the averages for May and June. Prices in France have been fairly stable since early July. In Japan, prices continue to rise in spite of the wide range of price-control regulations; further control measures became effective in early June.

PRICES RECEIVED AND PAID BY FARMERS

Prices received by farmers for grains, cotton, hogs and some other products have declined considerably since mid-July. The effects of these declines on the general index of farm prices, however, will be offset – in part, at least – by the marked increase in the relative importance of tobacco in computing the index for August as compared with that for July, and by the fact that tobacco prices are high in relation to their pre-war average.

The general level of prices received by farmers in mid-July advanced to 95 percent of pre-war compared with 92 in June and 125 in July 1937. The increase in local market prices from June to July extended to all groups except grains; wheat led the grain decline with a fall of 13 percent.
The preliminary estimate of prices paid by farmers for commodities declined in July to 123 percent of pre-war, compared with 124 in June and 133 in July last year. Reflecting the rise in farm prices, the ratio of prices received to prices paid by farmers advanced to 77 percent in July, compared with 74 in June and 94 in July 1937.

FARM INCOME

Farm cash income in July increased more than the usual seasonal from June largely because of the 3-point advance in farm prices and the greater than usual seasonal increase in marketings of all grains. Receipts from livestock and livestock products also declined less than seasonally as marketings were well maintained and prices advanced.

Income from farm marketings in July is expected to total between $575,000,000 and $600,000,000. In June farm cash income totaled $514,000,000 and in July last year, $740,000,000. Government payments in July were also larger than a year ago but were smaller than in June. Total payments in July amounted to about $34,000,000 compared with $45,000,000 in June and $11,000,000 in July 1937.

COTTON

A fairly steady decline in domestic cotton prices occurred from early July to August 13, with Middling 7/8" in the 10 designated markets on the latter date averaging 8.26 cents per pound compared with slightly over 9 cents in the first full week of July. Despite this decline, last week's prices are significantly higher than in early June but 2.20 cents or about 20 percent below those of the second week of August last year.

Since the first week of July, sales of cotton textiles by domestic mills apparently have averaged considerably less than production. However, cotton mill activity and output, while some 12 to 15 percent less than a year earlier during the last week of July, have increased contra-seasonally since May, largely as a result of the good-to-heavy mill sales during June. When adjusted for seasonal variations, activity in July averaged about 15 percent higher than in June and approximately 25 percent higher than in May, according to unofficial reports.

Reports from foreign cotton mill centers indicate that, in general, foreign manufacturers' sales have been below the reduced output of the past several weeks, with mills in only a few countries experiencing the favorable developments shown by United States mills in June. As a result, cotton consumption by foreign mills has probably declined more than seasonally since May.

With the world mill consumption of American cotton during the season just ended tentatively estimated at nearly 2 million bales less than in 1936-37, carry-over of this cotton on August 1 is now placed at nearly 13½ million bales compared with 6.2 million bales a year earlier. This record high carry-over together with the present estimate of the United States crop for
1938 of 11,983,000 bales of 500 pounds gross (roughly equivalent to about 11,700,000 running bales including allowance for city crop) gives an indicated 1938-39 world supply of this cotton between 25 and 25\(\frac{1}{2}\) million running bales. This compares with 24.7 million bales in 1937-38 and an average of 22.0 million in the 5 years ended 1936-37.

World consumption of foreign cotton also declined materially during the season ended July 31, and the end-of-season carry-over of 9\(\frac{3}{4}\) to 10 million bales was also a new high and is at least 2\(\frac{3}{4}\) million bales larger than on August 1, 1937. Reports from foreign countries continue to point to a substantial reduction in the total 1938-39 foreign crop. The decrease may be sufficient to offset the increase in the carry-over of this cotton.

**TOBACCO**

The general outlook for all types of tobacco in 1938-39 is fairly favorable, although less favorable than in 1937-38. Indicated total production of all tobacco on August 1 is 1,478,851,000 pounds or 5 percent less than the 1937 crop. The total prospective supply, however, shows a smaller decline due to larger stocks of flue-cured, Burley and dark air-cured tobaccos.

Indicated total production of flue-cured on August 1 is 783,600,000 pounds or 8 percent less than in 1937. Because of larger stocks, however, the prospective supply is 1,738,000,000 pounds or about the same as last season. The national marketing quota amounts to 739 million pounds. Tax-paid withdrawals of cigarettes in the United States have been slightly greater during recent months than a year earlier. Because of the lower level of general prices and business activity in the United States, however, and with the return of stocks to a more normal level in foreign countries, neither domestic nor foreign demand are expected to be quite so satisfactory as last season.

The marketing season for the 1938 crop got under way with the opening of the Georgia and Florida markets for Type 14 on July 28. Opening prices for corresponding grades were about the same to slightly higher than a year earlier but prices tended to decline during the week ended August 6. Prices for Type 13 flue-cured on North and South Carolina border markets during the opening week ended August 6 were slightly lower than last season. The fact that production of flue-cured, Types 11-14, is more than the national marketing quota probably will result in relatively small marketings of the very lowest grades with a corresponding tendency to raise the average quality of leaf marketed.

The production of Burley based on conditions as of August 1 is placed at nearly 400 million pounds, or only slightly less than in 1937 and materially in excess of the marketing quota of 357 million pounds. Total production of both fire-cured and dark-air cured is estimated at 147,608,000 pounds, somewhat less than last season and about the same as the marketing quota of 147,900,000 pounds. Crops of Maryland and cigar tobacco, indicated as of August 1 at 28,975,000 and 119,318,000 pounds, respectively, are 15 and 13 percent larger than in 1937.
Wheat prices during the past month continued to decline with heavy receipts of new crop wheat and increased hedging pressure in domestic markets, upward revisions in foreign crop estimates, and liberal offerings in European markets. With prices now materially below the loan level there will be a strong tendency for farmers to take advantage of the loan, which would restrict market receipts and give support to prices. On the other hand, with large supplies and a not very favorable export situation, any price advances which might occur probably will be limited.

World wheat supplies 1/ for 1938-39 are now estimated at about 4,885 million bushels, or about 500 million bushels larger than they were last year. This would be the largest supply of record, except for the 1931-33 period, and greatly in excess of the 10-year (1928-37) average wheat disappearance of 3,770 million bushels. World stocks 1/ of old wheat are still tentatively placed at about 650 million bushels, or about 100 million bushels more than a year ago. World production 1/ is estimated at about 4,234 million bushels, which is about 400 million bushels more than last year and constitutes a new high record. Production in the Northern Hemisphere 1/ may be about 370 million bushels greater than a year ago. In Argentina and Australia moisture conditions to date, together with an increase in acreage, indicate an increase of between 20 and 40 million bushels compared with last year. The acreage in Australia is estimated at 14.2 million acres compared with 13.7 million last year. The present estimate of world production represents an increase of about 75 million bushels during the past month, which is largely the result of greatly improved conditions in Europe, especially in the Danubian countries.

A United States wheat crop of 956 million bushels was indicated by August 1 conditions. This is 11 million bushels less than the estimate a month earlier. A crop of this size would be the second largest on record, and about 275 million bushels in excess of the 10-year (1928-37) average domestic disappearance of 683 million bushels.

CORN AND OTHER FEED GRAINS

Cash prices of all feed grains declined during the last half of July and the early part of August, largely as a result of the favorable growing conditions of the corn crop, the harvesting of comparatively large crops of oats and barley, and weakness in wheat prices. The decline in corn prices was slight and cash prices of corn are expected to remain somewhere near the present level for at least the next few months, if the loan rate on 1938 corn is set at 70 percent of parity as now appears probable. The recent announcement of the Secretary of Agriculture that prospective supplies of corn for 1938-39 are not in excess of normal domestic consumption and exports by more than 17.7 percent assures a corn loan for the coming marketing year without the necessity of marketing quotas.

1/ Excluding Soviet Russia and China.
The price of No. 3 White oats in the last half of July was at the lowest level since the average price for April 1933, while the price of No. 3 barley was the lowest since June 1933. The prices of these grains are probably near the seasonal low point for the present marketing season, and changes from the present level will depend upon changes in the prospects for the 1938 corn crop and changes in the general demand situation.

Total supplies of feed grains for 1938-39 were indicated by August 1 conditions to be the largest since 1932, and about 7 percent above the large supplies last year. The 1938-39 supply including indicated production of four feed grains, plus carry-over of oats and barley and estimated carry-over of corn, is 111,890,000 tons compared with 104,314,000 tons last year and an average of 98,284,000 tons for the 10 years 1927-36. Supplies of feed grains per grain consuming animal unit are indicated to be larger than the large supply per animal last year and also well above supplies per animal in any of the past 10 years.

Exports of corn have continued large in recent weeks, and total exports for the period October 1 - August 6, including incomplete statistics for the period July 1 - August 6, were over 115 million bushels. During 1937-38 corn exports totaled 12,331,000 bushels and barley exports 17,614,000 bushels.

**FLAXSEED**

Prices of both domestic and foreign flaxseed have been considerably lower during the past 2 or 3 months than at this time a year ago, largely as a result of a weaker demand situation. Since the first of the year domestic flaxseed prices have declined more than foreign prices, and the margin between the average price of flaxseed at Minneapolis and Buenos Aires for the week ended July 30 was 61 cents per bushel, or 4 cents below the tariff rate. Some improvement in flaxseed prices may occur during the next few months if the business situation and building activity continue to improve. On the basis of August 1 indicated yields, and present prices for flaxseed and wheat, it now appears that farmers will receive considerably larger returns per acre for their flaxseed crop than for their wheat crop.

Total domestic supplies of flaxseed for 1938-39 are now estimated at around 10,400,000 bushels, or slightly above the total supplies a year ago, and except for 1935-36 are the largest since 1932-33. In each of the past 3 marketing years domestic crushings have exceeded 25 million bushels, making it necessary to import large quantities of flaxseed. Only about one-sixth of the flaxseed crushed in 1936-37 and only about a fourth of the flaxseed in 1937-38 was domestic flaxseed. Total imports during the crop year 1937-38 amounted to 17,860,000 bushels and during 1936-37 amounted to about 26 million bushels.

The 1937-38 world crop of flaxseed is now estimated at around 135 million bushels, or about 12 million bushels smaller than the 1936-37 crop. Most of this decrease is the result of the reduction in the size of the Argentine crop harvested early this year. This crop was estimated to be about 61 million bushels compared with 76 million a year earlier.
Butter prices in July and early August averaged slightly higher than in June. The market has been supported by purchases of the Dairy Products Marketing Association. Butter production has been heavy and will probably continue large during the remainder of the year. Stocks of butter also are unusually large. Even though there is some improvement in consumer demand during the remainder of the year, the large supplies will probably prevent the usual seasonal rise in prices from mid-summer until early winter.

Production of creamery butter in June was 3 percent higher than a year earlier and 1 percent above the preceding peak for the month. Butterfat prices are relatively high compared with feed grains. Pastures are good, supplies of feed per animal are high. It seems probable that butter production will continue relatively high during the remainder of 1938, and in the early part of 1939.

Even though production of butter has been high, consumption has not increased as much as production and stocks have accumulated rapidly. In June apparent consumption of butter was about 1 percent higher than a year earlier, and 2.5 percent less than the peak for the month in 1934. After allowing for the distribution of butter for relief, trade output through regular commercial channels in June was about the same as a year earlier. Retail prices of butter in June were 16 percent less than in June 1937. Even though consumer incomes improve somewhat during the remainder of the year, consumer expenditures for butter during the last half of 1938 will probably continue decidedly lower than in 1937.

Since mid-July, daily purchases of butter by the Dairy Products Marketing Association have averaged much higher than earlier in the summer. Purchases to August 6 totaled nearly 26 million pounds.

Storage stocks of butter on August 1 were about 49 million pounds higher than a year ago, and 21 million pounds or 14 percent above the preceding peak for that date.

The data on storage stocks and the purchases by the Dairy Products Marketing Association indicate that a considerable part of the increase in stocks is in the hands of the trade.

POULTRY AND EGGS

The outlook for poultry and egg prices has shown very little change during the past month. On the basis of present data, the outlook until early 1939 is (1) for a more than seasonal decline in chicken prices and (2) for a more than seasonal advance in egg prices.

Because of the increase in the hatch, as of July 1 there were 13 percent more chicks and young chickens on farms, and supplies of poultry during the last half of this year are likely to be greater than those in the last half of 1937. The demand for poultry for storage, however, may be weaker than usual because of the unprofitable poultry storage season just closing. Also, the demand for poultry for consumption is likely to be weaker than in the last 6 months of 1937 because of the lower average level of consumer income.
A principal source of egg supplies during the second half of the year is storage stocks. This year supplies are likely to be much below those of last year. It is expected that this shorter supply, together with some increase in consumer incomes from present levels, will raise egg prices in early 1939 above those prevailing in early 1938.

HOGS

Hog prices are expected to decline seasonally during the fall months as marketings of new crop hogs increase. The drop in hog prices in the next few months, however, is likely to be much less than the sharp decline which occurred from September through December last year. Last fall, in addition to a large seasonal increase in marketings, hog prices also were affected by pronounced weakness in consumer demand and storage demand for hog products. In the coming fall and early winter some improvement from the present level of demand is expected.

Hog marketings in the 1938-39 marketing year, which begins October 1, probably will be substantially larger than in the present year. And though some improvement in consumer demand is expected for next year, it may not be sufficient to offset the effects of increased supplies upon hog prices. Unless the improvement in demand is greater than now expected, hog prices in 1938-39 probably will average considerably lower than in the present marketing year, which ends September 30.

Prices of hogs rose moderately in the first half of July but weakened somewhat near the end of that month and broke rather sharply in early August. In mid-July the weekly average price of butcher hogs at Chicago of about $9.85 was the highest since late October 1937. The weekly average price of all hogs at Chicago did not advance so much as the price of butcher hogs, because of the increasing proportion of packing sows in the market supplies.

Hog marketings in July were seasonally smaller than in June, but inspected slaughter of 2,254,000 head was about 600,000 head larger than in July last year. It is reported that hog receipts in recent weeks have included a relatively large number of late winter and early spring pigs which indicates that the market movement of spring pigs this year is getting under way somewhat earlier than usual. Thus far in the present hog marketing year, which began last October, the number of hogs sold for slaughter has been somewhat smaller than a year earlier. Average weights of hogs this year, however, have been heavier, and the total live weight of hogs marketed in 1937-38 probably will be greater than in 1936-37.

CATTLE

With much larger numbers of cattle on feed than last year, it is expected that marketings of grain fed cattle during the remainder of 1938 and in early 1939 will be materially larger than those of a year earlier. But there may not be much increase in market supplies of such cattle from present levels. The number of cattle on feed for market in the Corn Belt States on August 1 was estimated to be about 12 percent larger than a year earlier. Slaughter supplies of cows and heifers for the remainder of the year probably will be smaller than a year earlier, and it now seems probable that the slaughter of all cattle will be no
larger than in the corresponding period of 1937. Slaughter of calves in the remainder of the year is expected to continue smaller than last year.

Supplies of better grades of slaughter cattle are expected to continue large during the fall and early winter, and increased marketings of hogs are in prospect. But because of prospects for some improvement in consumer demand, it is believed that the decline in prices of the better grades of slaughter cattle will be much less than that which occurred in the late fall and early winter of last year. The seasonal decline in prices of cows, the lower grades of slaughter steers and stocker feeder cattle probably will be less than usual this fall. Prices of such cattle probably will be supported by the continuance of the strong demand for stocker and feeder and replacement cattle which has prevailed thus far in 1938.

Prices of better grades of slaughter steers advanced sharply in July, reaching the highest level since last December, but they were more than $4 lower than a year earlier. In early August part of the July advance in prices of the better grades was lost. Prices of cows and of the lower grades of slaughter steers were about steady, with some weakness in early August. Prices of stocker and feeder cattle rose slightly during July and were only slightly lower than a year earlier. Inspected cattle slaughter in July was about the same as in June, but it was about 4 percent larger than in July last year. Inspected slaughter of calves was about 16 percent smaller than in July 1937.

LAMBS

The 1938 lamb crop - about 5 percent larger than that of 1937 - was the largest on record. The increase in the crop from last year resulted from the larger crop in the Western sheep States, including Texas and South Dakota, as the crop in the Native States was slightly smaller. In view of the larger lamb crop this year, it is expected that slaughter supplies of sheep and lambs for the 1938-39 marketing year, which began May 1, will be larger than for 1937-38.

Sheep and lamb slaughter during the remainder of the grass-lamb season, up to December 1, will be mostly late lambs from the Western States and the Corn Belt. The extent of the increase in slaughter in this season over a year earlier will depend partly upon the number of lambs sold as feeders. Supplies of feed in both the Corn Belt and in western feeding areas will be abundant in the coming feeding season, but the volume of feed frequently is not the most important factor affecting the number of lambs fed. Because of the unfavorable results of last year's feeding operations with lambs marketed before March, feeders may be discouraged from feeding as many lambs as they did last year.

Some further weakness in prices of lambs may develop in the late summer and fall as slaughter supplies increase seasonally. The effects of the increase in supplies upon prices, however, will be offset in part, at least, by some improvement in consumer demand for meats and in stronger prices of pelts and wool. The situation with respect to lamb prices for the remainder of the year is considerably different from that of a year earlier, when there was a growing weakness in consumer demand and a continuous decline in prices of wool. Consequently, any decline in lamb prices that may occur this fall probably will be much less than that of last fall.
In early August prices of lambs declined moderately, after having been fairly steady during July. In most years lamb prices decline during June, July and August as marketings of new crop lambs increase, but there has been only a slight weakness this summer. Inspected slaughter of sheep and lambs thus far in the first quarter (May-July) of the 1938-39 lamb marketing year was about 7 percent larger than a year earlier. Marketings of new crop lambs this summer have been larger, but supplies of yearlings have been smaller than a year ago.

WOOL

Recent developments in the domestic situation indicate that the low point in domestic wool prices for the year probably has been reached and that some further advance in prices may occur before the end of 1938. Mill consumption in the second half of 1938 is likely to be larger than in the first half of the year and it also may be larger than in the last 6 months of 1937. Stocks of finished and semi-finished goods have been sharply reduced in recent months and mill sales and activity increased in June and July.

Mill buying in the domestic wool market in July was relatively large compared with recent months and prices advanced on all grades of wool. Prices of representative grades of spot territory combing wool at Boston at the end of July were 6 to 12 percent above the 1938 low but they were about 40 percent below the high point of 1937.

The preliminary estimate of the quantity of wool shorn or to be shorn in the United States in 1938 is 369 million pounds, which is an increase of about 2 million pounds over 1937 and about the same increase over the 5-year average. This estimate does not include wool pulled from slaughtered sheep and lambs, which averaged 65 million pounds annually in the 5 years 1933-37.

Early estimates for several important foreign wool producing countries, including Australia, indicate that world production of wool in 1938 will be smaller than in 1937. The decline in production, however, may be largely offset by the larger carry-over into the 1938-39 season and total supplies may be about the same as in 1937-38.

Stocks of apparel wool held by and afloat to United States dealers and manufacturers totaled 298 million pounds, grease basis, on June 25 compared with 287 million pounds a year earlier. Because most of the new clip is still in the hands of producers, stocks held by dealers and manufacturers do not include nearly all of the total supply of wool in the country at the end of June. Total supplies of raw wool in the United States on July 1 probably were much larger than at the corresponding time in 1938 and 1937. Stocks of finished and semi-finished wool goods, however, probably were much smaller on July 1 than a year earlier.

United States imports of apparel wool for consumption were only 8.6 million pounds in the first half of 1938 compared with 120 million pounds in those months last year and an average of about 23 million pounds for the 5 years 1932-36.

The weekly rate of consumption of apparel wool by United States mills in June was 50 percent greater than in April, but it was 23 percent smaller than in
June last year. Consumption in the first 6 months of 1938 was about half as large as in the same months last year and with the exception of 1932 was the smallest for those months in the past 20 years.

APPLES

The 1938 apple marketing situation appears to be characterized by: (1) a relatively small quantity of apples available for market; (2) relatively large supplies of competing fruits; (3) a comparatively low but rising level of domestic consumer purchasing power; (4) some improvement in foreign demand for United States apples.

Following one of the largest apple crops produced in the last 2 decades, the total 1938 crop was indicated by August 1 conditions at 135 million bushels— one-third less than the 1937 crop and one-tenth smaller than the 1927-36 average production. Production this year is indicated to be relatively smallest in the central group of States, where early spring freezes reduced prospects materially. The prospective apple crop is much smaller than the heavy production last year in the Atlantic Coast States, but not greatly below average. As a group the commercially important apple-producing States in the West expect a crop about 3 percent below that of a year ago and 5 percent below average.

From the present condition of fruit crops it appears that large supplies of most other fruits will be available during the marketing season for the 1938 apple crop. Combined production of oranges and grapefruit from the bloom of 1937 (marketed during 1937-38) reached the record high of more than 101 million boxes. It is, of course, too early for an estimate of the 1938 citrus crop, but conditions on August 1 were as favorable for oranges and even more favorable for grapefruit than was the case a year ago. The 1938 pear crop is expected to be 2 million bushels in excess of the record crop of 29.5 million bushels last year.

Present indications are for a gradually rising level of domestic demand during the 1938-39 apple marketing season, as contrasted with the sharp downward trend which occurred during the season just ended. The present level of consumer purchasing power, however, as indicated by incomes of industrial workers, appears to be nearly one-third lower than a year earlier.

The adverse effect of poorer general demand conditions in France and England upon foreign demand for United States apples this season as compared with 1937, will likely be more than offset by the relatively short supplies of fruit in prospect in England and most European countries.

POTATOES

Potato prices at market centers declined slightly during the last 4 weeks under the pressure of marketings from commercial areas and of large home-grown supplies. The decline was slightly more than seasonal and carried prices to the lowest level of this season to date. At New York City the average for the first week of August was 79 cents per 100-pound sack, compared with 90 cents a year earlier, and at Chicago the recent average was 88 cents, against $1.30 last season at the same time. Usually potato prices at New York reach the season's low point in August, and at Chicago in November.
The prospect as of August 1 is for a late potato crop only slightly below that of a month earlier and about 9 million bushels below the crop produced in 1937. The 30 late States together now expect a total of about 310 million bushels. The 10-year (1927-36) average for these States is about 302 million bushels.

Car-lot shipments from the late States have started to move in recent weeks, with nearly 500 cars being shipped from this group during the first week of August. Shipments from the intermediate States were declining sharply in early August, with only New Jersey and Nebraska moving any volume. Total car-lot shipments from 18 States during the week ended August 6 were about 1,350 cars, compared with 1,935 the preceding week and about 2,390 cars for the first week of August in 1937. A large quantity of potatoes usually is shipped to market by motor-truck at this time of the year, thus augmenting the receipts by rail.

TRUCK CROPS

Home-grown supplies of vegetables, arriving by motor-truck, very largely dominate the market at this time of the year, and wholesale prices of most truck crops are relatively low. Car-lot shipments decreased further during July. During the first week of August only 4,260 cars moved to market by rail or boat, compared with 7,140 cars the first full week of July.

Compared with early July this year, the early August wholesale prices were considerably lower for snap beans, western cantaloupes, green corn, cucumbers, eggplant, Honey Ball and Honey Dew melons, lettuce, onions, peppers, sweetpotatoes, and tomatoes. Prices advanced seasonally for spinach and turnips. Western carrots and peas and eastern celery were somewhat higher in New York City, but steady to slightly lower in Chicago. Compared with prices a year ago, the wholesale market recently has been considerably higher for western cantaloupes, eastern celery, green corn, spinach, and tomatoes, but lower on nearly all other products.

Prospects in the late States indicate generally larger supplies of truck crops than last fall. The acreage of late celery is indicated to be 7 percent greater than that of 1937, and growing conditions are favorable. Production increases are indicated for six commodities, an increase of 5 percent for tomatoes, 9 percent for onions, 22 percent for snap beans, 25 percent for cantaloupes, 64 percent for cabbage, and 83 percent for cucumbers. Smaller production, on the other hand, is expected for 5 commodities, a decrease of 2 percent for cauliflower, 5 percent for watermelons, 8 percent for California garlic, and 17 percent each for eggplant and peppermint-oil.

Some improvement occurred in growing conditions of snap beans for manufacture, so that the production forecast was raised slightly on August 1 to 121,100 tons, or 15 percent more than last year's record crop. Production of sweet corn for canning or manufacture may total only 785,300 tons, a decrease of one-fifth from the very large crop of 1937 but still one-third greater than average. Tomatoes for manufacture are expected to total only 1,558,400 tons this year. This would be 21 percent less than the huge crop of last season, but 12 percent above average.
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Notes: Same as for corresponding table in June 1938 issue.