Wage rates so far in World War II have risen at about the same rate as during the comparable period of the First World War. Wages are a large part of processing and marketing costs, and so the trend of industrial wage rates will be an important factor affecting commodity prices during the war. The movement of prices or living costs also affects wage rates to some extent.
SUMMARY

Consumer demand for farm products over the next few months is expected to be maintained around recent high levels. The general trend for the year as a whole will be upward.

Curtailment of civilian goods production incident to the shift from a defense to a war economy is resulting in some temporary unemployment. Many of the displaced workers in civilian industries will be quickly reemployed, and the hours and pay of those in factories producing for war will continue to increase. The net effect on the money income of consumers of the shift over to war production probably will be to slow up the rate of increase rather than to stop it. Although increased taxes and defense bond sales may absorb much of the net gain in consumer income during the next few months, the income available for food, clothing, and other nondurable goods will be increased by the elimination of automobile production and curtailment in output of other durable consumer products. Additional factors of strength in the demand for agricultural products are the needs of our Allies as war operations increase and a strong storage and speculative demand. The net effect of all these conditions is expected to be a stronger demand for farm products in 1942 as a whole than in any year since 1919.

The pressure of rising consumer income in relation to the volume of goods and services available for civilian use will be a factor tending to raise the general level of prices this year. The pressure will be the strongest on commodities in shortest supply, but price controls and rationing of some of these commodities will tend to limit expenditures for them and consequently to increase the pressure on other products in large supply, including farm commodities.
The Emergency Price Control Act of 1942, approved by the President January 30, for the general purpose of checking "speculative and excessive price rises, price dislocations, and inflationary tendencies", provides for extensive Government regulation of commodity prices, rents and marketing margins. It is yet too early to form definite conclusions regarding the probable net over-all effects on the general price level of the controls provided for in this Act, but the controls exercised over a limited number of commodities before the passage of the Act (see chart on inside cover page of January issue) had been attended with considerable success.

Although marketings of livestock and livestock products continued heavy in January and prices received by farmers advanced 1 percent from December to January, crop marketings receded from the high rate of late 1941 and cash income from sales probably declined considerably more than is usual for the month. Preliminary indications based on price changes in central markets suggest that farmers generally were receiving somewhat lower prices for the products sold in mid-February than for those sold a month earlier. For 1942 as a whole income from marketings may not increase as much as the 2.9 billion-dollar increase of 1941, but income for the year may be as large as in any previous year except 1919.

- February 17, 1942

The situation by commodities is as follows:

Wheat: The winter wheat crop, in general, continues in promising condition, with recent additional moisture favorable to growth in some eastern sections. Wheat stocks in the United States as of January 1, 1942 are estimated at 962 million bushels. This is 169 million bushels above a year earlier and 361 million bushels above 2 years earlier. On the basis of July 1 stocks and production and July-December disappearance and probable increased feeding of wheat as a result of the Government selling program, it now appears that the carry-over July 1, 1942 may be about 630 million bushels.
The revised carry-over figure for July 1, 1941 is 385 million bushels.

Cotton: The daily rate of domestic cotton consumption increased considerably in January and slightly exceeded the previous record reached in November 1941. Because of the relatively heavy requirements for particular qualities, the Department of Agriculture recently announced production programs and loan-rate schedules designed to increase greatly the 1942 production of long staple cotton. Under a new sales program, also designed to provide manufacturers with needed supplies, nearly 300,000 bales (the limit for any one month) of Government-owned cotton moved into the "free" supply during January.

Feed grains: Prices of corn and oats changed very little during the past month, while the price of barley declined. Increases in the price of corn and other feed grains from present levels will be limited by recent measures taken by the Department of Agriculture to make available adequate feed supplies for increased production of livestock products. On February 1 about 70 million bushels of 1941 corn and 150 million bushels of old corn were under seal and 90 million bushels were owned by the Government.

Hogs: The winter peak in hog marketings was reached in mid-January. Slaughter supplies of hogs probably will continue a little larger than a year earlier during the next month or so, but the seasonal decrease in marketings from mid-January through March or early April may be greater than in that period last year. Hog prices advanced sharply in late January and early February.

Beef cattle: Slaughter supplies of well-finished cattle may continue large throughout the late winter, but they are expected to be reduced relative to a year earlier during the spring and summer. Cattle prices have not changed greatly during the past month.

Lambs: Slaughter supplies of sheep and lambs are expected to be larger than a year earlier during the remainder of the fed-lamb marketing season - through April. Lamb prices have declined moderately since mid-January, but they are still substantially higher than a year earlier.

Wool: Military requirements for wool will be large in 1942, but mill consumption for civilian uses is being restricted by Government order. With maximum prices now in effect and with prices of domestic wools about at "ceiling" levels, price changes from present levels are likely to be moderate. Mill consumption of apparel wool on a greasy, clean, and pulled basis totaled 977 million pounds in 1941 compared with a 5-year average (1935-39) of 575 million pounds. The 1941 consumption was by far the largest in 24 years of record.
Dairy products: Production of milk and of most manufactured dairy products is expected to be larger in 1942 than in 1941. As a result of the expected improvement in demand conditions, however, prices of dairy products may average somewhat higher than a year earlier.

Poultry and eggs: Egg production will increase seasonally until April and will continue much larger than a year earlier. Egg prices declined during the past month mostly as a result of the increase in egg marketings, but continue to be much higher than a year earlier. Current supplies of chicken meat are larger than a year ago. On February 1 farmers indicated they intended to purchase about 12 percent more baby chicks this year than in 1941.

Oilseeds, fats and oils: Factory stocks of fats and oils were reduced nearly 300 million pounds during 1941. A further reduction in stocks probably will occur in 1942, as a result of the high rate of domestic consumption, large purchases for lend-lease, and curtailment of imports from the Pacific region. The maximum price schedule for fats and oils was increased on January 2; effective February 4, the maximum price for lard was again raised, while the "ceiling" on linseed oil was removed.

Fruit: The carry-over of California canned fruits at the beginning of the 1941-42 season will be smaller than normal, and may be the smallest in the last 7 years. The demand for fruit for canning will be greater this year than last if tin supplies are adequate.

Potatoes: Smaller supplies of potatoes, combined with increased consumer purchasing power, will probably hold current prices of potatoes well above the levels reached a year ago. Planting intentions and Government price-support indicate relatively higher prices through 1942 than those received a year earlier.

Truck crops: Market prices in early February declined somewhat as delayed supplies from winter vegetable areas became available. Early truck crop acreage reports and demand prospects indicate that average prices this spring will be near or slightly above those received a year ago.

Dry edible beans: Greatly increased demand and Government price-support for the record crop expected in 1942 probably will maintain the high prices now being paid for the very large 1941 crop.

DEMAND

Demand for farm products over the next few months is expected to be maintained around recent high levels, with the general trend upward for the year as a whole. The sharp rise in the demand for farm products during 1941
was evidenced by a rise of more than 40 percent in prices received by farmers during a year of record output.

During the next few months curtailment of civilian goods production necessitated by the shift from a defense to a war economy will be an offset to rapid expansion in production of war equipment. The net effect on industrial production is expected to be a continuation of the sidewise movement of the index during the past 6 months. During this period the index of industrial production (not corrected for seasonal variation) averaged 164 percent of the 1934-39 average, the same as in January. The general effects of the changeover to a war economy are apparent in the Federal Works Agency January estimates of employment and unemployment showing 1 million workers with job connections but not actually working, compared with half as many in the previous month, the increase being largely due to workers displaced in civilian industries by shifts to war production. Even larger totals of such temporary unemployment may be reported soon, but many of the workers displaced in civilian industries will be quickly reemployed at work connected directly or indirectly with the war effort. Furthermore, workers in factories producing for war will be working longer hours and receiving more pay, offsetting in whole or in part the effects on consumer demand of these temporary dislocations.

Although an increase in consumer income during the next few months may be offset by higher tax payments and defense bond purchases, the amount left over for food, clothing, other nondurable goods, and services undoubtedly will be increased because of the elimination of automobile production and curtailment of production of other durable consumer goods.

Appraisal of the outlook for changes in demand for farm products in 1942 differs in many respects from such an appraisal in peace times. In the absence of war the forecaster is faced with the problem of estimating the direction of changes in productive activity, the general price level, employment and money purchasing power, as well as of estimating the extent of probable changes. With the economy being rapidly geared to an all-out war effort, it is practically certain that productive activity, employment, wage rates, and commodity prices in general will not decline. Although the direction of movement (using 1941 as a benchmark) is a practical certainty, the problem of estimating the amount of change remains. As the shift to implements of war takes place, a growing portion of the aggregate output (as measured by the Federal Reserve index) will be in terms of man-hours of labor expended and a declining proportion will be in terms of physical units. Under these conditions it is obvious that any substantial difference in the amount of labor required in processing and fabricating a given amount of materials into tanks or other war equipment, compared with that needed for building automobiles, refrigerators, or other durable civilian goods, would be reflected in a change in the index of production without a corresponding change in the volume of materials consumed.

Some light is thrown upon the probable effects on the production index of changes in labor requirements for war goods compared with civilian goods by a comparison of values per ton of finished war implements (ranging
all the way from heavy tanks to airplanes) and the values of civilian goods (such as automobiles and refrigerators). Another method is to compare labor requirements per dollar of value of these groups of products. Both of these comparisons indicate substantially higher labor requirements per ton of finished product for war equipment than for durable civilian goods. This suggests that the Federal Reserve index might increase substantially in an all-out war effort even if there were no increase in the aggregate amount of raw materials used up or in the physical volume of goods produced. (Raw materials available for the manufacture of civilian and war goods in 1942 are expected to be not greatly in excess of the 1941 supply.)

The food needs of our Allies will become greater as war operations increase, reserves of some foods may need to be increased as a matter of insurance, and for some agricultural products the former competition from imports will be negligible. Although speculative and storage demand may be held in check to some extent by price controls, it will be a factor of strength in the general demand situation. Together with the upward trend of consumer income, these conditions should result in a stronger demand for farm products in 1942 as a whole than in any year since 1919.

THE GENERAL PRICE LEVEL

The Emergency Price Control Act of 1942, approved by the President on January 30, provides for extensive Government regulation of commodity prices, rents, and marketing margins. It authorizes the establishment of maximum prices which in the judgment of the Price Administrator "will be generally fair and equitable and will effectuate the purposes of this Act," which in general are to check "speculative and excessive price rises, price dislocations, and inflationary tendencies."

The Act states that "So far as practicable, in establishing any maximum price, the Administrator shall ascertain and give due consideration to the prices prevailing between October 1 and October 15, 1941." Provision is made for adjustments in maximum prices to take account of changes in costs of production and distribution and other conditions.

For agricultural commodities no maximum price is to be established below the highest of any of the following prices, as determined and published by the Secretary of Agriculture: (1) 110 percent of the parity or comparable price for the commodity, adjusted by the Secretary of Agriculture for grade, location, and seasonal differentials; (2) the market price on October 1, 1941; (3) the market price on December 15, 1941; or (4) the average price during the period July 1, 1919 to June 30, 1929.

The Act also provides that "No maximum price shall be established or maintained for any commodity processed or manufactured in whole or substantial part from any agricultural commodity below a price which will reflect to producers of such agricultural commodity a price for such agricultural commodity equal to the highest price therefore specified," and nothing in the Act is to be construed to modify the provisions of the Agricultural Marketing Act of 1937, as amended, or to invalidate any marketing agreement, license, or order under the provisions of that Act. No maximum price for
any agricultural commodity is to be established under the Act without the prior approval of the Secretary of Agriculture.

No direct and specific controls over wage rates are included in the Act, but the latter specifies that "It shall be the policy of those departments and agencies of the Government dealing with wages (including the Department of Labor and its various bureaus, the War Department, the Navy Department, the War Production Board, the National Labor Relations Board, the National Mediation Board, the National War Labor Board and others here­tofore or hereafter created), within the limits of their authority and jurisdiction, to work toward a stabilization of prices, fair and equitable wages, and cost of production."

It is yet too early to form definite conclusions regarding the probable effects of these price controls on the general level of prices. The ceilings for nonagricultural commodity prices established since the passage of the Act generally have been at levels of prices prevailing prior to October 15, although the general level of nonagricultural commodity prices now is about 3 percent above the mid-October level. As noted, the Act provides for adjustments in price ceilings to allow for changes in costs of production and other conditions. Much depends, therefore, upon the changes which may occur in these conditions. It is evident from the announcements of Government officials that complete reliance will not be placed upon the Price Control Act to hold down prices. There will be an effort also to reduce the upward pressure on commodity prices by bringing the volume of money purchasing power of consumers available for spending into better balance with the reduced quantity of goods which will be available for civilian consumption resulting from the conversion of plants and diversion of materials to war production. Among the possible methods of effecting this adjustment are higher taxes and increased sales of defense bonds to the public.

Attempts have been made by various organizations in recent weeks to measure the prospective degree of "unbalance" between the money incomes of consumers and the prospective volume of civilian goods and services in 1942 compared with 1941. This unbalance has been commonly referred to as the "inflation gap" or "inflationary wedge." These terms may be roughly defined as the increase in the number of dollars available to consumers for spending plus the decrease in the combined value of goods and services available for consumer purchase, assuming no change in prices.

Some rather startling figures bearing on this inflation gap have been published. According to one estimate, while the national income will increase in 1942 by at least enough to offset increased taxes and defense bond sales, the volume of civilian goods produced will fall at least 15 percent below that of 1932. This would indicate a decline of more than 60 percent in the quantity of factory goods available for consumer use, and if the increase in population is taken into account it would mean that per capita production for civilian use would be perhaps 20 percent below 1932 whereas per capita income available after taxes and bond sales would be about three-fourths higher.

Another agency estimates that the total of goods and services available for civilian consumption "under a maximum war effort" would be about
the same as in 1933, or the lowest level of the past generation after allowing for population changes. With the increase in national income (after taxes) in prospect this would mean about 25-50 million dollars of "excess purchasing power" in the hands of consumers, or about 1.5 dollars of purchasing power for every 1 dollar of civilian goods and services available at prices prevailing just before the all-out war effort.

If these estimates were correct the upward pressure on prices would be tremendous, and the most stringent and complete system of price controls and rationing would be necessary if prices were to be kept from rising to extremely high levels. But computations of this Bureau indicate that the "inflation gap" is actually much less than is indicated by the foregoing figures.

Using the method used in preparing the chart on the cover page of the December issue of this report, and assuming an increase in the total volume of industrial production in 1942 over 1941 of about 10-15 percent (see January issue for justification of this assumption), the total volume of factory-processed goods and services available for civilian use in 1942 would be about 20 percent below 1941. (This allows for no inventory changes in either year, no changes in prices, and assumes war expenditures in line with the message of the President to the Congress, and also assumes that the number of man-hours per ton of materials is no greater in the production of war equipment than in the production of civilian goods.) Assuming an increase in national income in 1942 over 1941 (with no change in prices) of about 8 percent, and allowing for prospective increases in taxes but not in defense bond sales, money purchasing power left in the hands of consumers in 1942 would be about 2 percent greater than in 1941. These figures would mean an "inflation gap," or increase in money purchasing power relative to goods and services produced for civilian consumption, of about 25 percent compared with 1941. If allowance were made for the fact that inventories of consumer goods in the hands of dealers and producers were increasing markedly in 1941 and probably will decrease substantially in 1942, and allowing also for increased defense bond sales, the size of the gap would be considerably smaller.

Actually, of course, the so-called inflation gap is continually being bridged by the diversion of income to uses (taxes, defense bonds and other savings) not allowed for in the computations, or by higher prices for the goods available. The value of such computations is in checking up on forecasts of the general level of prices, production, and consumer incomes. In the present instance, the size of the "gap" as computed above (allowing for inventory changes) corresponds roughly with the 15 to 20 percent increase in the general price level in 1942 over the average for 1941 which was indicated in the annual outlook report for 1942.

Regardless of which assumptions are justified or the method of computation used, however, it is evident that the pressure of rising consumer incomes in relation to the volume of goods and services available for civilian use will be a strong factor tending to raise the general level of prices in 1942. This pressure will not be equally distributed over all
commodities and services, but will be strongest on those in shortest supply. For some of these, rationing and price fixing will be necessary to hold down the price rise.

PRICES AND INCOME RECEIVED BY FARMERS

Income from farm marketings over the next few months is expected to continue substantially above that in corresponding months of 1941, but will decline more than usual from December when there were unusually heavy marketings of tobacco, cotton, wheat, several minor crops, and meat animals. The proportion of 1941 crops remaining for sale in the current calendar year is smaller than a year earlier, but sales of livestock and livestock products in the aggregate will continue substantially above 1941. The general level of prices farmers are now receiving for their products is more than 40 percent higher than the level a year earlier and is expected to continue well above the 1941 level during the next few months. During the first quarter of 1941 prices averaged 103 percent of the 1910-14 average and then rose sharply, so that the average gain for 1942 as a whole is not likely to be as large as the present gain over a year ago.

In December 1941 favorable weather for agricultural production, together with rising prices, brought about the largest volume of agricultural marketings for any December of record and resulted in a rise in the seasonally adjusted index of cash income from farm marketings to 124 percent of the 1926-29 average compared with 112.6 in November. Substantial contributions to the December gain in the adjusted index of income were made by the meat animal crop, and poultry fowls of products, whereas the income from dairy products rose somewhat less than is usual for the month. Livestock marketings continued heavy in January and prices received by farmers rose sharply, but crop marketings receded from the high level of December and cash income from all marketings probably declined considerably more than is usual.

A six-point rise in the index of prices received by farmers in January to 149 percent of the 1910-14 average carried the index to about the 1924-29 average level. (The all-time peak was 244 in May 1920.) Preliminary indications are that the index of prices received declined between mid-January and February. Prices paid by farmers rose three points in January to 146 percent of the 1910-14 average and to the highest level since July 1930. The index of prices paid probably will be higher in February than it was in January and is expected to continue to rise generally through the year. The ratio of prices received by farmers to prices paid, which has fluctuated around 100 percent of the 1910-14 average since last July, was 102 in January. Except for a short period in 1936-37, when farm marketings were small as a result of drought conditions, this is the first time in 12 years that prices received have been in approximate balance with prices paid, using the 1910-14 relation as the basis of comparison.

COTTON

The daily rate of domestic mill consumption in January, of 44,000 bales, was somewhat above the previous record reached last November. The
proportion of the manufacturers' output required to meet Government orders is rapidly increasing, and every effort is being made to speed up cotton textile production.

Because of the high rate of domestic consumption - now expected to reach close to 11-1/2 million bales for the season - and the heavy demand for particular qualities to meet military requirements, acreage and production goals have been set looking to a substantial increase in the 1942 domestic production of long staple cotton. This increase is to be accomplished within the present acreage allotments by encouraging producers to shift to varieties giving longer staples. Special premiums which will prevail under the 1942 loan program were announced on February 5.

A comparatively steady advance, extending from mid-October to January 27, took the basic price of cotton at the 10 markets to 20.11 cents on the latter date. This was the highest in nearly 13 years, 2-5/4 cents higher than a month earlier, and 10 cents above a year earlier. Following such a sharp advance, much of which was apparently due to inflationary developments, it was not surprising that at least some temporary decline should occur. Despite the net decline of about 3/4 cent from late January to February 14, generally attributed at least in part to uncertainties as to the Government's price-control and cotton-sales policies, the price on the latter date was still 92 percent higher than a year earlier. It was 115 percent above the 1938-39 average, the last year prior to World War II, and the gain in price compares with the gain of only about 20 percent in the corresponding period of World War I.

On February 16 the Commodity Credit Corporation again considered bids on cotton offered for sale under the General Cotton Sales Program. Under this program, together with small sales under two other programs, the Department disposed of almost 300,000 bales during January. This is the limit for any calendar month, and 1,500,000 bales is the limit for the calendar year 1942.

WHEAT

Wheat stocks in the United States as of January 1, 1942 are estimated at 928 million bushels. This is 269 million bushels above a year earlier and 381 million bushels above 2 years earlier. On the basis of July 1 stocks and production and July-December disappearance, and probable increased feeding of wheat as a result of the Government selling program, it now appears that the carry-over July 1, 1942 may be about 330 million bushels. The revised carry-over figure for July 1, 1941 is 385 million bushels.

The winter wheat crop, in general, continues in promising condition, with recent additional moisture favorable to growth in some eastern sections. In the central and eastern Wheat Belt there have been reports of hearing but injury is apparently light. In Texas growth of wheat has been slow because of dryness, but general condition is still fairly good. In other parts of the Southwest progress was mostly good, with little winter injury apparent.

Domestic wheat prices are generally 1 to 4 cents lower than a month ago, when they were little below the 5-year peak reached January 12. On
February 16, market prices compared with loan values as follows: At St. Louis, Kansas City and Minneapolis, they were 17, 12, and 4 cents, respectively, above, and at Portland they were 3 cents below. Thus prices, except for soft red winter (St. Louis), are generally below the loan plus 16 cents, the level at which stocks of the Commodity Credit Corporation are offered to the commercial trade. The quantity of such wheat sold by the Corporation through January 31 totaled about 25 million bushels. The Corporation also sold about 4 million bushels, at feed-grain price levels, under the feed program announced January 19, leaving holdings on January 31 of 1939 and 1940 pooled wheat of about 136 million bushels.

The quantity of the 1941 crop reported under loan January 31, the closing date for making loans, was about 354 million bushels, making a total under loan of about 359 million bushels. Of this quantity about 122 million bushels are on farms and about 237 million bushels in warehouses.

**FATS, OILS, AND OILSEEDS**

Domestic production of fats and oils was at a record level in 1941, but factory and warehouse stocks were reduced nearly 300 million pounds (12 percent) during the year. In view of the current high rate of domestic consumption, the large purchases for lend-lease shipments, and the curtailment of imports of oilseeds and oils resulting from war in the Pacific, a further reduction in stocks of fats and oils probably will occur in 1942.

Maximum prices on fats and oils were raised by a minimum of 11 percent on January 2; prices in January advanced to or near the new maximum levels. Effective February 4, the maximum price on lard was again increased, while the ceiling on linseed oil was removed. Prices of soybeans, flaxseed, and peanuts for oil also advanced in January, reflecting a strong demand for both crushing and seed purposes. Large increases in acreage are in prospect for these crops in 1942.

Consumption of oleomargarine was 47 million pounds (15 percent) larger in 1941 than in 1940. Consumption of butter, on the other hand, was 68 million pounds (3 percent) smaller than a year earlier, despite a slightly increased production. Improvement in consumer income in 1941 was reflected chiefly in an 18-percent increase in the average wholesale price of butter at Chicago and a 7-percent increase in the price of margarine. Cold storage holdings of butter on January 1, 1942, totaling 114 million pounds, were at a near-record level for that time of year.

**CORN AND OTHER FEEDS**

Market prices of corn and oats changed very little during the past month, barley, soybean meal, and linseed meal advanced, while wheat mill feeds and cottonseed meal declined. The price of corn and other feed grains may increase somewhat from present levels during the next few months, but gains may be limited by measures taken by the Department of Agriculture to make available adequate feed supplies for increased production of livestock products. In mid-January average prices received by farmers in Ohio, Indiana, and Michigan for corn were about the same as the loan rate, and in Illinois and Iowa average corn prices were about 3 cents per bushel below the loan rate.
A price ceiling was placed on meat scraps, trashage, and other animal byproduct feeds and fish meal on January 20. The temporary ceiling was set at the January 17 level of prices. A schedule of prices for these feeds will be announced soon. The average price of hay received by United States producers increased from $7.94 per ton September 15 to $10.15 per ton January 15. In this period hay prices advanced more than $5.50 per ton in Iowa, Illinois, Indiana, and Michigan. Hay prices in the Midwest have been affected by unfavorable weather for harvesting the fall hay crop and a strong demand from livestock producers. In the area from Michigan and Ohio on east to the coast the 1941 hay crop was generally 10 to 25 percent smaller than production in the preceding year.

On February 1 about 70 million bushels of 1941 corn had been sealed and 130 million bushels of old corn remained under seal. In addition, about 90 million bushels of corn were owned by the Government terminal elevators and at country points.

The revised goal for corn acreage for 1942 announced by the Secretary in January is 92.5 to 95.0 million acres, 5 million acres more than the goal announced in September. The new goal provides for a 10-percent increase in corn-acreage allotments in the commercial corn area. A larger corn acreage is needed in 1942 to provide plenty of feed for the expansion in livestock production. A plan has also been announced for the offering of wheat by the Commodity Credit Corporation for feed at prices comparable to feed-grain prices, making available increased supplies of feed for poultry producers and dairymen in the Pacific Northwest and in the North Atlantic States.

HOGS

Slaughter supplies of hogs will decrease seasonally during the next month or so. The winter peak in hog marketings was reached in mid-January, nearly a month later than in 1940-41 when the market movement of the spring pig crop was unusually early. The later movement of spring pigs to market this season than last reflects the improvement in the hog-corn price ratio during the past year and the food-for-defense program under which farmers were encouraged to feed hogs to heavy weights.

The number of hogs slaughtered under Federal inspection during January totaled 5,831,000 head, 1 percent more than in December and 29 percent more than in January last year. It was the fourth largest inspected hog slaughter on record for the month. This large January slaughter raised the total for the first 4 months (October-January) of the 1941-42 marketing year to about the same number as was slaughtered in the first 4 months of 1940-41. Slaughter supplies of hogs probably will continue a little larger than a year earlier during the next month or two, but the seasonal decrease in marketings from mid-January through March or early April may be greater than in that period last year. Because of the sharp increase in the 1941 fall crop and the prospective large increase in the 1942 spring crop, marketings next summer and fall will be materially larger than a year earlier.

Hog prices advanced sharply during the last half of January and in early February, reflecting in part the seasonal reduction in marketings
The number of long-fed cattle on feed January 1 was quite large, and supplies of well-finished slaughter cattle throughout the late winter are expected to continue larger than a year earlier. Shipments of feeder cattle to the Corn Belt during the last half of 1941 were substantially smaller than in those months of 1940, however, and it is likely that supplies of fed cattle will be reduced relative to a year earlier during the coming spring and summer. Prices of well-finished slaughter cattle ordinarily reach a low point for the year about midsummer, but the spread between the prices of upper and lower grades of slaughter cattle has been unusually narrow during recent months, and it is likely that the seasonal decline in prices of the upper grades will be less pronounced than usual this spring and summer.

Prices of slaughter cattle have not changed greatly during the past month, although there has been a moderate widening of the spread between the prices of the upper and lower grades. Prices of slaughter cows and veal calves have declined somewhat from the high levels reached a month earlier, but prices of feeder cattle have advanced moderately since early January. Prices of all grades of slaughter cattle are now higher than a year earlier, but prices of well-finished fed steers are still low relative to prices of the lower grades of slaughter cattle. The average price of Good grade beef steers at Chicago for the week ended February 7 was $12.45 compared with $12.40 in mid-January and $11.55 in early February 1941.

Markets of slaughter cattle increased moderately in January. Slaughter under Federal inspection for the month totaled 1,057,000 head, 5 percent more than in December and 19 percent more than in January last year. It was the second largest commercial cattle slaughter on record for the month. Inspected calf slaughter during January was 4 percent smaller than in December, but 7 percent larger than in January last year.

**Sheep and Lambs**

Slaughter supplies of sheep and lambs are expected to be large for the next month or so compared with those a year earlier. The number of lambs on feed January 1 was 5 percent larger than a year earlier, but inspected slaughter in January was a little smaller than in that month last year. This and reports from important lamb-feeding areas indicate that the number of sheep and lambs to be marketed during the remainder of the fed-lamb marketing season (through April) is at least 5 percent larger than in those months last year. The effect of these prospective larger supplies upon lamb prices is expected to be offset by the stronger consumer demand conditions this year than last, however, and lamb prices are likely to continue around current
levels during the next few months. (Lamb prices frequently advance during the late winter and spring when supplies are reduced seasonally.)

The early lamb crop in California is reported to be developing favorably. Some contracting of early lambs for March and April delivery has been reported at prices ranging around $12.50.

Lamb prices have weakened moderately during the past few weeks, but they are still higher than in most weeks of the past 4 years. The average price of Good and Choice grade slaughter lambs at Chicago for the week ended January 7 was $12.15 compared with the peak price of $12.75 reached in early January and $10.50 in the corresponding week of 1941. Prices of slaughter ewes have advanced seasonally in the past few months, but in early February they were only a little higher than a year earlier.

The number of sheep and lambs slaughtered under Federal inspection during January totaled 1,211,000 head, 3 percent more than in December but 1 percent less than in January last year.

WOOL

Military requirements for wool will be large in 1942 but mill consumption for civilian uses is being restricted by Government order. The strong demand for wool and curtailment of shipping space available for wool imports under war conditions will be strengthening factors in domestic wool prices in 1942. With prices of domestic wools now at about ceiling levels, changes from present levels are likely to be moderate.

Stocks of apparel wool held by dealers and manufacturers, including wool afloat, totaled 356 million pounds on December 31; in addition, there were about 21 million pounds of domestic wool of the 1941 clip still on farms and ranches and in local warehouses in Western States. The December 31 stocks were 124 million pounds larger than a year earlier and about 80 percent larger than average December 31 stocks of 243 million pounds in the 5 years 1935-39. The reported stocks do not include wools stored by the Defense Supplies Corporation as a strategic reserve. With a prospective high rate of mill consumption in 1942 and the uncertainty of shipping facilities under war conditions, large inventories are necessary to assure continuous mill operation.

Mill consumption of apparel wool in December established a new record rate of 11.3 million pounds a week, scoured basis. The December consumption was 32 percent larger than in December 1940. Consumption on a greasy shorn and pulled basis totaled 977 million pounds in 1941 compared with 641 million pounds in 1940 and a 5-year average (1935-39) of about 573 million pounds. The 1941 consumption was by far the largest in 24 years of record.

Sales of domestic wool at Boston were relatively small in January and the early part of February. Prices were firm and were generally close to the maximums permitted under price regulations. Manufacturers' stocks of raw material were fairly large and mills were in a position to wait for further clarification of price maximums before taking on additional supplies.
DAIRY PRODUCTS

Production of milk and of most manufactured dairy products is expected to be larger this year than in 1941 but the increase in milk production so far in 1942 has been considerably less than that needed to meet 1942 goals. Butter production during the next several months may continue somewhat smaller than in the corresponding months of 1941, but stocks may continue larger. Government purchases of cheese, evaporated milk and dry skim milk for export under the lend-lease program probably will continue to absorb a large part of the increased production of these products. If butter prices follow a normal seasonal trend during 1942, prices would be somewhat lower during the summer than they were in the summer of 1941. However, for the year as a whole prices may average higher than in 1942 since the effect of increased consumer income on prices may more than offset the effect of the expected larger production. Large-ly as a result of the rise in feed prices, butterfat-feed price ratios probably will continue less favorable for butterfat producers during at least the first half of 1942 than they were a year earlier. The ratio of prices paid by condenseries for milk to feed-grain prices also may be less favorable.

The price of 92-score butter at Chicago declined from 36.0 cents on January 13 to 34.75 cents on February 10, but has not declined as much this year from the seasonal peak as in most recent years. In late January and early February the Surplus Marketing Administration reduced its paying price for evaporated milk by 20 cents per case and for cheddars on the Wisconsin Cheese Exchange by 1-1/2 cents per pound.

Total milk production on February 1 was 3 to 4 percent larger than on the same date in 1941 but the production per cow was less than 1 percent larger. Mainly as a result of the continued diversion of milk from butter, the production of evaporated milk in December was 93 percent larger than a year earlier and cheese production was 51 percent larger. Butter production, on the other hand, was 7 percent smaller.

POULTRY PRODUCTS

Egg production will increase seasonally until April and will con-tinue much larger than a year earlier. The rate of production per layer on February 1 was 5 percent larger than the previous record high for that date in 1941. The number of layers on farms was about 9 percent larger than a year earlier, making the total egg output on that date about 14 percent larger than on February 1, 1941. The goal established for egg production in 1942 is 13 percent above the 1941 output. The larger current production is being reflected in much heavier receipts at primary markets, but because of the heavy egg-drying operations in producing areas the receipts of shell eggs at terminal markets have been smaller than in early 1941.

Egg prices declined during the past month mostly as a result of the increase in marketings. The price of fresh firsts at Chicago in mid-February was about 6 cents lower than in mid-January but about 11 cents or two-thirds higher than a year earlier. The stronger demand for eggs this year has been supplemented in recent weeks by purchases of shell eggs by the Department for price support in addition to the need for lend-lease pur-poses. During the first 6 weeks of this year the Department purchased the equivalent of about 1.7 million cases of eggs and dried egg products.
Despite the decline in egg prices and a further rise in feed prices the feed-egg ratio based on wholesale prices at Chicago is more favorable than a year earlier or than average.

Current supplies of chicken meat are larger than a year ago. Storage stocks of poultry on February 1 were 7 percent larger than on February 1 last year and production of commercial broilers is continuing at a record level. Partly as a result of these large supplies, especially of young birds, chicken prices have not advanced as much during the past year as prices of some other meats. The average retail price of roasters in the United States in January was 7 percent higher than a year earlier whereas retail prices of various cuts of pork were 25 to 30 percent higher than in January last year. The price of young chickens also is continuing low relative to the price of hens.

A further increase in the number of chickens raised on farms is expected this year. On February 1 farmers indicated they intended to purchase about 12 percent more baby chicks this year than they purchased in 1941. These intentions may be changed, however, depending on the relationship of egg prices to feed prices in the major hatching season (March-May). Supplies of chicken for the year as a whole very likely will be the largest on record.

**POTATOES AND SWEETPOTATOES**

The prices of potatoes at shipping points and terminal markets were steady to slightly higher during late January and early February. The smaller supplies of potatoes in prospect for the first 6 months of 1942 as compared with last year, and the increased purchasing power of consumers, have resulted in a level of prices 1 dollar or more per 100 pounds higher than a year ago. Merchantable stocks of potatoes on hand on January 1 were 105 million bushels as compared to almost 112 million bushels on January 1, 1941.

The acreage of early potatoes in Florida and Texas is estimated at 24,400 acres, practically the same as in 1941. Reports from growers in the intermediate States on their intentions to plant indicate a probable acreage of 62,900 for the intermediate areas, compared with 69,700 acres harvested in 1941. Present indications are that total plantings of all early potatoes will be less than in 1941 and probably near the 1931-40 average acreage. Price prospects based on these data indicate that prices of early potatoes during the spring months probably will remain well above prices prevailing a year earlier. Higher prices for potatoes throughout 1942 are indicated by supply and demand conditions as well as by Government plans for price-support to encourage the increase in production desired in the late States.

Prices of sweetpotatoes were steady during recent weeks and showed little seasonal increase. Prices in general were near those of a year earlier, with indications that they will not rise much above 1941 averages during the spring months. Slight increases in plantings expected for 1942 may offset to some degree the price increases which will result from the general trend toward a higher level of food prices.
Prices for dry edible beans continue at a high level, although production in 1941 was the largest on record. A substantial further increase in production is expected for 1942 in response to the relatively high prices. The average price received by farmers in January was $4.92 per 100 pounds compared with $2.73 a year earlier. In addition the Government has assured growers that minimum prices for the 1942 crop will be $4.75 per 100 pounds for U. S. No. 1 and $4.60 for No. 2 f.o.b. country shipping points. Since production of white beans already increased sharply in 1941, the largest percentage increases for 1942 are expected to be in the colored and miscellaneous varieties.

Large increases in the acreage and production of dry field peas are in prospect for 1942. Price support has been announced at not less than $5.25 per 100 pounds for U. S. No. 1 and $5 for No. 2 f. o. b. country shipping points. These prices should encourage greatly increased production to meet the large demand resulting from Government purchases and expanding consumer income.

TRUCK CROPS

Acreages of winter truck crops are in general near those of last year, except for marked increases in cabbage and tomatoes and decreases in snap beans and green peppers. Shipments of snap beans, peppers, and eggplant from Florida are expected to be limited until March as a result of acreage losses and poor crop conditions following January rains. Although the indicated Florida crop of tomatoes of 1,233,000 bushels is considerably larger than last year's harvest, production is indicated to be 23 percent smaller than the 10-year (1931-40) average of 1,723,000 bushels. Shipments of tomatoes will be moderate until March and prices probably will continue relatively high. The general prospect for most truck crops is that prices probably will average near those of last spring.

Terminal market prices of several truck crops declined during late January and early February. Cabbage and lettuce prices dropped sharply after large shipments from the winter vegetable areas which had been temporarily held back by cold and wet weather came on the northern markets. Production of early cabbage was indicated on February 1 at 373,000 tons, compared to the 1941 production of 219,600 tons and the 10-year (1931-40) average of 232,000 tons. Prices of snap beans, on the other hand, experienced a decided increase after heavy rains on January 19 and 20 reduced the indicated Florida crop by 32 percent. Carrot prices also held to relatively high levels.

In general, market prices were near or slightly above prices of a year earlier. Cabbage, carrots, cauliflower, celery, and eggplant brought higher prices than in 1941, with only spinach and lettuce conspicuously lower.

FRUITS

The carry-over of California canned fruits at the beginning of the 1942 canning season may be smaller than usual, and may be the smallest in the last 7 years. The demand for fruit for canning will be greater this year than last if tin supplies are adequate. Total stocks of California
canned fruits on January 1, 1942, were about 9 percent smaller than on the same date a year earlier although supplies at the beginning of the 1941-42 season were 13 percent larger than at the beginning of the previous season. Shipments of California canned fruits from June 1 to January 1 totaled 17.7 million cases compared with 13.7 million in the comparable period a year earlier, and were the largest June to January shipments on record.

The out-of-storage movement of apples in January totaled 5.6 million bushels and on February 1 there were 20.1 million bushels in cold storage compared with 23.0 million bushels on January 1, 1941. Included in the total cold storage holdings on January 1, 1942 are 1.8 million bushels owned by the Surplus Marketing Administration. The Administration purchased roughly 33,000 bushels of apples in January compared with 90,000 bushels purchased in January 1941. Auction prices of all leading varieties of Western apples decreased contra-seasonally in January. The change in the price of Washington Delicious was responsible for a large part of the contra-seasonal movement. Market prices of Eastern and midwestern apples continue to increase relative to those of a year earlier.

On February 1 the production of oranges and grapefruit in the 1941-42 season was estimated to total 34.4 million and 41.4 million boxes respectively. In the previous season orange production totaled 34.1 million boxes, and grapefruit production totaled 43.0 million boxes. Auction prices of California naval and Florida oranges in the first week of February averaged below prices in the comparable period a year earlier, and prices of Florida grapefruit averaged above prices in the same week last year.
## Table 8: Economic Trends Affecting Agriculture

**Index Numbers: Indicated Base Period = 100**

<table>
<thead>
<tr>
<th>Year and Month</th>
<th>Industrial Production 1</th>
<th>Factory Employment 2</th>
<th>Factory Pay Rolls 3</th>
<th>Income of Industrial Workers 4</th>
<th>Wholesale Prices of All Commodities 5</th>
<th>Retail Food Prices 6</th>
<th>Cost of Living, Urban 7</th>
<th>Prices Received by Farmers 8</th>
<th>Prices Paid by Farmers, Interest and Taxes 9</th>
<th>Ratio of Prices Received to Prices Paid Incl. Interest &amp; Taxes 10</th>
<th>Cash Income from Farm Marketings 11</th>
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1 Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

2 Bureau of Labor Statistics, adjusted for seasonal variation and converted from the 1923-29 base (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).

3 Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised November 1941. To convert to 1924-29 base, multiply by 78.0744 percent.

4 Bureau of Labor Statistics. 1926 = 100 converted to 1935-39 = 100 by multiplying by 124.069 percent.

5 Bureau of Labor Statistics.


7 August 1909-July 1914 = 100.

8 Adjusted for seasonal variation, converted from 1924-29 = 100 to 1910-14 = 100.

9 Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.