

UNITED STATES DEPARTMENT OF AGRICULTURE
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THE PRICE SITUATION, AUGUST, 1927

FARM PRICES

The general level of farm prices on July 15 averaged 130 and equaled that of June, and was six points lower than in July, 1926. The general average was maintained by increases in cotton, corn, hogs, cattle and eggs offsetting decreases in prices of grains, hay, potatoes, lambs, butter and chickens. Since July 15, prices of grains, lambs and butter have continued weak, while cotton, corn, hogs, cattle and eggs have continued to advance, indicating that the general average of farm prices will be maintained during the next few weeks at approximately its present level.

The level of nonagricultural prices has remained unchanged and the recent gains made in the ratio of farm to nonagricultural prices have been maintained. Prices of building materials, chemicals and metals were lower during July than during June, while textile and fuel prices continued to advance. Toward the end of July metal prices advanced somewhat.

BUSINESS CONDITIONS

Business activity as a whole, as measured by bank debits during July, equaled that of June, as well as that of the corresponding month of a year ago. Lower volumes of business in agricultural regions were offset by somewhat better conditions in the eastern and far western states. This general situation is reflected also in retail-trade, which was maintained at last year's level for the United States, but showed losses in the agricultural Federal Reserve districts around Richmond, Virginia, Atlanta, Kansas City, Minneapolis, and Dallas, the greatest reductions being in the latter. On the other hand, mail order house sales and sales by 5 and 10 cent stores were 3 and 7 per cent respectively above last year's sales.

In basic industries production was curtailed more than usual during July in both pig iron and steel. Their rates of output were respectively 11 and 15 per cent below that of last year. But building activity has been maintained at a very high level in both June and July due largely to a larger volume of heavy projects, such as road, bridge and other engineering construction, which appear to have more than offset a lower volume of ordinary building. Freight loadings in July did not show the usual seasonal increase, and were about 5 per cent below last year's level for merchandise and miscellaneous loadings, and nearly 20 per cent below other, which include the lower volume of coal traffic. The output of automobiles also remained well below that of last year.

The seasonally weak activity in those major industries appears to have made the ample money supply still more easy. Interest rates in July were lower than a year ago, and several Federal Reserve Banks have lowered their rediscount rates. Prices of selected stocks have again reached a record high level during July. The lower interest rates should tend to check the seasonal decline in business. That this may take place is suggested by a somewhat firmer general price level, by a slight increase in loans by banks for commercial purposes during the first part of August and by regional reports that a larger volume of freight cars will be needed during the third quarter of this year than a year ago, except in the Southwest and Pacific Northwest. A reduction of about 5 per cent is expected in iron and steel shipments.

WHEAT

Considering prospective supplies and present indications as to demand, it seems that the average price of all classes and grades of wheat in the United States may not go much below the present level this year and are likely to go higher after the heavy marketing seasons unless there should be a considerable decline in the general price level. In the case of winter wheat in the next months prices are likely to be maintained with an upward tendency while spring wheat prices may fall to somewhat lower levels on account of new wheat receipts. The average farm price of wheat, as of the middle of July, was \$1.27 as compared with \$1.30 in the middle of June. The market price continued to decline as expected from July to the middle of August. The average cash price of all classes and grades at five markets declined from \$1.43 as of the middle of July to \$1.34 the first week in August.

As the prospect for the new crop has become more definitely known, it has become more certain that the Northern Hemisphere supplies for this year will be but a little larger than last year. Since the Southern Hemisphere crop this season can hardly be as large as last, it now appears more certain that the world supply for the year will be but little if any larger than it was a year ago. Prices in the United States started in July slightly above prices of July 1926 but have now fallen below last year's level. In Winnipeg and Liverpool, however, prices are still being held slightly above those of a year ago. Last year the average price of all classes and grades of wheat in four primary markets reached a low point of \$1.34 for the week ending August 19 and came back to this level in September and February not to fall below it until April after which there was a rise to the highest level in the season, the latter part of June. The weak points in last year's course of prices were caused by rapid increases in freight rates early in the season, heavier shipments than expected from Russia and large crops with heavy shipments from the Southern Hemisphere. It now seems probable that Russian exports will be no greater than last year if as large and that the Southern Hemisphere will not produce as much as last year. Other factors of course may cause fluctuations in the course of the market for the year but there is at present every reason to believe that prices will be maintained at least on the par with last year and equal to or above the present level.

The positions of the different classes of wheat in the United States, however, have shifted somewhat from last year. It appears that the hard red winter and the soft red winter wheat crops will be considerably below last year. The August revision of winter wheat indicates a reduction of 8 million bushels in the soft red winter wheat and 19 million bushels in the hard red winter. Soft red winter wheat is probably the smallest in recent years except in 1925 when the crop was so short of domestic requirements as to maintain prices of this wheat considerably above prices of other wheat in the United States. The average cash price of No. 2 red winter at St. Louis the first week of August was \$1.37 compared with \$1.35 last year and was 4 cents above No. 2 hard winter at Kansas City, whereas last year it was only 2 cents above. No. 2 hard winter wheat at Kansas City averaged \$1.33 the same as last year. The indicated increase in production in durum and hard red spring wheat, however, is placing these wheats in a much weaker position than last year. The hard red spring wheat crop is estimated at approximately 180 million bushels compared with 122 million bushels last year and is larger than any of the past five years except in 1924. This will supply a considerable export surplus. The average cash prices of hard spring wheat the first week in August was \$1.55 compared with \$1.67 a year ago. As the new wheat goes on the market the prices will probably fall as they did last year from \$1.67 the first week in August to \$1.45 in the second week of September. Whether or not the decline this year will be great in shifting from the basis of old wheat to new wheat will depend very largely upon the Canadian crop developments. Durum wheat prices averaged \$1.62 during the first week of August as compared with \$1.63 last year and will probably continue to decline as the new crop becomes available. Last year the prices declined from \$1.63 in the first week of August to \$1.35 the second week of September.

CORN

Corn prices continued to advance during July and the first half of August due to the backwardness of the crop and the large decrease in the supply of corn stored at the central markets. The farm price of corn advanced from 88.9 cents on June 15 to 92.4 cents on July 15 and the price of No. 2 cash corn at Chicago advanced from \$1.06 on July 15 to \$1.12 on August 8.

Indications are that the corn crop in the Cotton Belt States will be only 94% of last year's production, in spite of the increased acreage of nearly 4%. The crop, however, should be larger than the five-year average of production. The western part of the Corn Belt should have a crop somewhat larger than last year but production in the central and eastern parts of the Corn Belt will be way below last year and probably of poor quality. Production in the Middle Atlantic and New England States will also be slightly less than last year, while production in the Far Western States will likely be somewhat larger than last year and about equal to the five-year average.

There was some improvement in the demand for corn in the eastern markets during the last half of July which favorably affected the price of cash corn. Much of the corn of inferior quality which was in storage has been loaded out leaving the remainder of the corn in storage of very

The August estimate of production was 2,385,000,000 bushels; or 111,000,000 bushels larger than the July 1 estimate. According to present prospects this year's crop will be the smallest since 1903 except in 1924, when production was only 2,309,000,000 bushels. Crop conditions this year are very similar to those of 1924, the condition on August 1 for that year being 70% compared with 71.2% this year. In all probability the 1927 crop will be of no better quality than the 1924 crop and there is likely to be about the same carryover of old corn, but it is doubtful if the average seasonal price for the prospective 1927 crop would be as high as in 1924 because there is nearly 30% less hogs on farms in the corn belt this year and areas outside the corn belt have a larger crop than in 1924. The average price of No. 3 Yellow corn at Chicago was \$1.16 from November, 1924, to May, 1925. Price of No. 3 Yellow corn at Chicago on August 9, 1927 was \$1.10 compared with \$1.16 on the same date in 1924. In that year prices advanced to \$1.24 in September, declined to \$1.04 in October, then advanced steadily to \$1.25 on February 1, 1925. During March prices declined to \$1.00 and then followed the usual seasonal trend until the new crop began to be a factor in determining price.

Although the condition of the crop improved during July, the crop in nearly one-third of the Corn Belt is so late that only the best of conditions and a very late frost will allow the crop to mature. The uncertainty of the crop maturing in several sections of the Corn Belt due to late planting will cause prices to be especially sensitive to weather conditions in the Corn Belt during the next two months.

COTTON

Prices at the ten designated spot markets averaged 17.34 cents for July as compared with 16.10 cents for June and 17.92 cents for July a year ago. The trend of prices from July 1 to July 25 was steadily upward, the price at the ten designated spot markets advancing from 16.42 to 18.29 cents per pound. From July 26 to August 8 favorable weather reports together with trade reports caused the price to decline to the July 1 level of 16.42 cents. The Government forecast of production on August 1 of 13,492,000 bales was lower than the trade expected, and the price of cotton advanced to 18.26 cents on August 9. The average price received by producers advanced from 14.8 cents on June 15 to 15.5 cents on July 15.

The outstanding factor in the crop situation this year is the boll weevil manacc. The infestation is reported to be three times as heavy as last season and the greatest it has been since 1923, according to the crop report of August 1. Infestation is heaviest in Georgia, Louisiana, Florida, South Carolina, Texas, Oklahoma, Mississippi and Arkansas in the order named. Conditions may be expected to improve or decline accordingly as the weather is favorable or unfavorable for boll weevil propagation during the remainder of the season.

The weather in the western part of the Cotton Belt during the first week of August has been clear and warm tending to lower the boll weevil damage. In the eastern half of the Cotton Belt, where local thunder-storms have prevailed with only moderate temperatures, weather conditions have favored the development of the boll weevil.

The market has been strengthened by the wide distribution of the old crop, by the high rate of mill consumption and spinners' takings, and by the increased apprehension of damage from the boll weevil. The total net exports of cotton from the United States for the year ending June 30 was 10,903,000 bales, which was 40 per cent larger than for the preceding twelve months. For the first time on record, exports to Germany were larger than to any other country. Consumption in the United States for the eleven months ending June 30 reached a level of 6,633,000 bales as compared with 5,994,000 for the same period last season. Stocks in consuming establishments on June 30 were 27.6 per cent above those of a year ago, while stocks in public storage and at compresses were less than a year ago. The production of standard cotton cloth during the first seven months of 1927 was 14 per cent greater than during the first seven months of 1926, and sales were 29.2 per cent greater. The unfilled orders on July 31 were 457,883,000 yards, which is 4.9 per cent less than for June, but an increase of 83.2 per cent over July 1926. Apparently the output of the mills which have absorbed raw cotton in such large quantities has been distributed into consumptive channels at a good rate. Stocks of cotton textiles on June 30 were 39.6 per cent below a year ago.

The situation in the cotton industry over most of continental Europe has shown very little change during June and early July. The outlook for maintenance of mill activity in Germany and central Europe is still favorable as spinners are covered for four to six months and the movement of goods into consumption is satisfactory. In Austria and Czechoslovakia new export orders and spinning mill profits are becoming less satisfactory. Recent reports indicate some slight improvement in sales by the French cotton industry during June, but business is still described as very unsatisfactory. The Italian cotton industry is said to be making every effort to readjust itself to changes in the value of the lira, but reports indicate that it is still greatly handicapped by high cost of production and by excessive yarn and fabric stocks.

Fluctuations in cotton prices during the next month will depend largely upon weather. The present position of the market is strong.

Prices at New Orleans are now higher than prices which have prevailed in preceding years for supplies comparable with those now in prospect. The prospective total supply of about 21,000,000 bales in the past would have brought an average yearly price of about 17 cents at New Orleans. Should past supply-price relationships be maintained during the marketing season this year, and crop prospects remain unchanged, lower prices in the immediate future might be expected.

WOOL

Prices of domestic wool at Boston continued upward during July. The average price received by producers on July 15 was 30.7 cents compared with 30.2 cents on June 15. Prices at the close of the fourth series on July 21 at the London Wool Sales, as compared with the closing rates of the previous series, were unchanged to 5 per cent higher for merinos, 5 per cent higher for fine and medium crossbreds, and unchanged for coarse crossbreds. The sales closed with the market strong for all classes of wool and buying especially active from the Continent.

The position of the domestic wool market is stronger than for some time. Stocks in the United States are apparently low, and stocks in producing countries appear to be smaller than a year ago, when they were also at a low point. It is too early to make an estimate of the 1927 world clip, but a preliminary unofficial estimate for Australia places the reduction in the coming clip as a result of sheep losses through drought to be 10 per cent from last year, when Australia produced about a fourth of the world's total. Apparently this year the mills in the United States have pursued a hand-to-mouth policy, as imports have shown a considerable decline and stocks have been depleted, while consumption has proceeded at a good rate. If consumer demand for raw wool continues at the present level, a larger taking of raw wool may be expected, as stocks would have to be replenished. In view of the foregoing, and since business activity is likely to show some improvement this fall, wool prices will probably continue the recent upward tendency.

CATTLE

Prices for the best grades of fed cattle continued strong during July. Choice steers of lightweights advanced about \$1.00 during the month, mediumweights about 60 cents and heavies remained comparatively steady. The advance on yearlings further narrowed the price spread between heavy and lightweight cattle. With the usual seasonal increase in the proportion of grass cattle coming on the market, prices for lower grade cattle declined somewhat during the month. The average price of all fed cattle at Chicago during July was \$11.78, compared with \$9.44 in July, 1926 and \$11.28 in July, 1925.

The market supply of cattle continues less than last year and for the month was the smallest since 1921. Cattle receipts at seven markets during July were 23 per cent less than in July, 1926, and 21 per cent below the five-year average. Average weights of fed cattle have been much less than last year. During 1926 the market was generally oversupplied with long-fed steers, while this year fewer and lightweight cattle were fed, thus materially decreasing the total supply of grain-fed beef. Conditions indicate continued low supplies of the best grades of fed cattle during the remainder of the summer and fewer range cattle than were marketed last year, with the general average of cattle prices well maintained above the levels of recent years. Prospects for the cattle industry during the next year to 18 months appear decidedly favorable, but do not justify expansion in breeding herds at present.

HOGS

Following the low point reached the last week in June when average cost of packer and shipper purchases at Chicago reached \$8.59, the lowest average since November, 1924, hog prices started their usual summer rise and by the end of July had advanced 14 and 19 per cent respectively on medium and lightweights. With prices of heavy butchers and packing hogs making a less proportionate advance, the price spread between light and heavy hogs has widened and is expected to continue to widen as receipts show an increasing proportion of thin, grassy sows and a smaller proportion of finished hogs during the next two months.

Hog marketings continue to exceed those of the previous year, July receipts at twelve markets being 4.5 per cent larger than in July, 1926, with average weights about ten pounds lighter. With an increase of 8 per cent in pork and lard production, a decrease of 17 per cent in exports, and only 5.6 per cent increase in the movement into consumptive channels, there was a larger than usual accumulation of products in storage, the amount on hand on July 1 being 35 per cent larger than on July 1, 1926, and 8 per cent larger than the five-year average.

Most of the unfavorable aspects in the hog situation apparently have been discounted by the severe price decline during the first half year and the rise in prices now under way seems likely to continue on the better grades through August and most of September. While exports of pork and lard have shown a small increase recently, there is no evidence of any material improvement in the foreign demand. The corn-hog ratio is now unfavorable to hog feeding, and, if it becomes more unfavorable as a result of increasing probabilities of a short corn crop, it is likely to force a large supply of light unfinished hogs on the market in the fall and thus cause a seasonal price decline greater than usual, probably reaching a level not much different from the low prices of mid-July.

LAMBS

Prices of slaughter lambs declined around \$4.00 from the high level attained near the middle of June, but remained comparatively steady during July with only a slight downward tendency in prices during the month. The price of medium to choice killing lambs, 84 pounds and down, averaged around \$13.60 compared with \$13.72 for July last year. Western lambs apparently sold at a slightly higher level with native lambs showing the greatest weakness as compared with July a year ago.

Receipts of lambs at seven markets totaled 786,000 for June, 743,000 for July, and 780,000 for July, 1926. In view of the large lamb crop in the native lamb states, increased supplies of native lambs may be expected during the next few months, and consequently weaker prices. With fewer western feeding lambs the situation appears generally favorable for lamb feeding in the Corn Belt and the early marketing areas of the West, since seasonally higher prices may be expected to set in by the end of the year.

BUTTER

Continued heavy supplies of butter due to prolonged favorable pasture conditions, and heavy stocks in storage produced a further decline in butter prices during July. Present indications suggest that the usual seasonal advance in August may not take place. The average price on 92 score butter in New York in June was 42.5 cents, in July 41.7, and during the first week of August 40.5, at which level it equaled the average price during the first week of August a year ago. Thus, the margin over last year, amounting in April to 11 cents, has entirely disappeared.

The peak of the production was apparently reached early in July this year with comparatively slight falling off in supplies indicated to date. Receipts on the four principal markets from January 1 to August 3 were 368,355,000 pounds this year, representing an increase of some 2 per cent over the corresponding period of last year. Available reports on current production indicate a considerably greater increase than is shown by receipts at the major markets.

Stocks in cold storage, as well as receipts, are heavier than a year ago, the reported holdings for the entire United States amounting on August 1 to 145,146,000 pounds against 131,152,000 pounds on August 1, 1926, which was exceeded only by the holdings of 134,118,000 pounds on August 1, 1924, when conditions were similar to those of the present season.

The continued exceptionally favorable pasture conditions are indicated by the following percentages for the United States and for certain selected states. Since the reports represent percentages of "normal" for the particular month, the figures are comparable for the same month in different years but not directly as between the different months.

States	July 1		August 1	
	Average:		Average:	
	of last:		of last:	
	10 years:	1927	10 years:	1927
Minnesota	85	98	78	90
Wisconsin	87	93	78	86
Ohio	85	95	81	91
United States	85	93	79	87

EGGS

The farm price of eggs advanced from 17.8 cents for June 15 to 20.7 for July 15 due to lighter receipts. On May 15 the farm price was 5 cents lower than a year ago and on June 15 the spread increased to 9 cents, but due to the advance in prices during July the farm price was only 5 cents lower on July 15 than a year ago.

The market price of eggs during July advanced somewhat and receipts and storage movement were lighter. Receipts at the principal markets were 9 per cent less during July 1927 than July 1926, practically the same difference as shown between June 1927 and 1926. However, receipts since January 1 are still 9 per cent above last year's receipts for the same period due to the unusually heavy marketings during March, April and May.

The holdings of storage eggs on August 1 were 10,737,000 cases, a surplus of only 892,000 cases over August 1, 1926. The strengthening of the market due to lower receipts, and the higher prices of feeds, which tend to discourage production, continue to suggest the probability that farm prices may reach last year's level before the end of the year.