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THE PRICE SITUATION, JUNE, 1928

FARM PRICES

Farm prices on May 15 were considerably higher than on April 15 and a year ago, as a result of advances in most products. The index for May 15 averaged 148 compared with 140 a month earlier and 126 a year ago. The chief exceptions to the general advance in farm prices were potatoes and butter, the latter making a seasonal decline of about one cent. At 148 the index of farm prices was only about 4 points below that of August 1925, the highest level reached since the postwar price depression. As indicated by price changes since the middle of May, the index is not likely to remain at that high level, for grain, cotton and livestock prices have weakened since then.

THE GENERAL COMMODITY PRICE LEVEL

At the wholesale markets the average of commodity prices was higher in May than in April. According to the Annalist Weekly Index (1913=100) the average for May was 152, for April 148 and May, 1927, 141. This advance of 11 points during the past year is due almost entirely to farm and food products and textiles, farm products having advanced from 135 for May, 1927, to 158 for May, 1928, and textile prices from 144 to 155. Nonagricultural prices made no such advances, while building material prices declined from 162 to 155. Since the first week of May farm, food and textile prices caused a decline from the peak reached on May 8, at 152.5 to 149.4 on June 5.

BUSINESS ACTIVITY

Business activity during May was marked by the expected seasonal declines in the basic industries, iron, steel, and, and textiles, a slight increase in automobile production and by a record volume of building contracts awarded. Pig iron output per day declined slightly in May and was 3 per cent below May, 1927. Steel output per day declined considerably but remained somewhat above that of a year ago. Building contracts awarded, as reported by the F. W. Dodge Company, amounted to 21 per cent above a year ago, and was the highest month on record, the increase in May being largely in industrial and commercial buildings. The distribution of goods continued in large volume. Total car loadings by the last week in May nearly equaled the comparable 1927 volume, while miscellaneous merchandise and l.c.l. loadings slightly exceeded the comparable 1927 volume. The average daily sales of mail order houses and of five and ten cent stores was considerably above that of May, 1927, and of department store sales about the same as a year ago. The volume of industrial employment and payrolls, as indicated by the downward seasonal tendency in basic industries, was below that for April and still below that of a year ago. In April the volume of employment, as measured by the Federal Reserve Board indexes, was 89 compared with 93 in April, 1927, and the volume of wage payments 103 compared with 109. The unusually large volume of building activity and employment in the building trades is probably an offsetting factor to the lower volume of manufacturing employment.

Bank loans for commercial purposes declined somewhat during May reflecting undoubtedly the seasonal slackening in industrial activity. Loans in stocks and bonds remained practically unchanged during the month while bank investments increased slightly. Compared with loans a year ago loans for commercial purposes were 4 per cent greater and for stocks and bonds 15 per cent greater. Interest rates have continued to advance. The rediscount rates of all Federal Reserve Banks now being $4\frac{1}{2}$ per cent and higher than similar rates since 1924. The higher rates now prevailing were caused, according to the Federal Reserve Bank of New York, by gold exports and by the sales of government securities by the Federal Reserve Banks, both factors operating to reduce bank reserves. The recent sales of securities and the consequent rise in interest rates are generally taken as a Federal Reserve Board warning against the unusual volume of stock speculation. Industrial stock prices reached record peaks during May but have tended downward during the first two weeks of June.

WHEAT

Wheat prices declined in May after reaching the high point of the season at the end of April. The rise in the average farm price from 129 cents per bushel in April to 144 cents in May does not reflect the market change because of the fact that these farm prices apply to sales about the middle or earlier in the month. The average price of all classes and grades at six markets rose from 143 cents per bushel the week ending April to 162 the first week in May. In the next two weeks the average dropped 1 cents, to 147 per bushel. Most of this drop occurred between the 11th and 18th of May. The farm price reports registered the April price just as th rise was beginning and the May price on the decline. Market prices steadied after May 18th, rising a little and then turning downward, but holding near to the level reached at the end of the marked decline.

In this connection it may be of interest to check up on what might have been the forecast of the May price of wheat as it could have been calculated last December. The estimated average price of No. 1 spring wheat for May, based upon Southern and Northern Hemisphere productions, the change of price between last April and September, the average September price, and the general price level, is 158 cents per bushel. The actual average price of No. 1 Northern spring wheat at Minneapolis, weighted by reported cash sales, was 157.

The prices of each of the classes of wheat fell in May, the greatest decline being made by soft red winter and the smallest by durum. The weekly price of No. 2 red winter wheat at St. Louis fell from an average of 220 for the week ending May 4 to an average of 179 for the week ending May 18, a drop of 41 cents. In the same period durum fell only 12 cents, from 148 to 136. No. 2 red winter, however, at the end of the month was still 32 cents above the average for the corresponding week of last year, whereas No. 2 amber durum at Minneapolis was 25 cents below. This illustrates the possibilities of great variation in wheat prices by classes owing to their different positions. The durum prices were lifted to a certain extent by the general rise in the wheat price level, but continued at a relatively low level owing to the fact that there is a relatively large surplus of durum for export and there is strong competition against this wheat in foreign markets. On the other hand, a supply of soft red winter wheat insufficient for the usual domestic requirements commands a relatively high price as compared with all other wheats.

The weekly average price of hard red winter declined 18 cents between May 4 and May 18, and hard red spring wheat declined 14 cents. The weekly average price of No. 2 hard red winter at Kansas City at the end of the month was still 6 cents above the average of the corresponding months last year, and No. 1 dark northern spring wheat at Minneapolis was on a level with last year.

Prices in foreign markets have also declined, but, having risen less than prices in the United States, they have also fallen less. The closing price of July futures in Buenos Aires at the end of the first week in June was 137, as compared with 142 at the end of the first week in May; in Liverpool 152 as compared with 164; and at Winnipeg 142 as compared with 155. Chicago futures closed at 142 as compared with 158.

The supplies remaining in exporting countries available to meet the requirements of importing countries for the remainder of this season are about the same as at this time last year. Canadian stocks are considerably larger but the increase in Canada is largely offset by reductions in the available supplies in Australia and Argentina. Conditions in several European countries indicate a minimum of domestic supplies. It appears, therefore, that the world's carryover of wheat at the end of our marketing season, June 30th, is likely to be about the same as last year.

Foreign demand will probably continue fairly strong for old wheat during the next month. The strength of the foreign market through the next two months will be affected by harvest conditions. The prospect of an early harvest might tend to weaken demand, or a late harvest strengthen it.

The 1928 harvest prospects are becoming an important factor in the situation but it is too early to give a very definite estimate of probable production. Conditions in seven producing countries, including India, Spain, France and the United States indicate a production of about 1,223,000,000 against 1,358,000,000 bushels last year. Present prospects are that the Italian crop will be larger than last year but the reports of improvement in Italy are offset by indications of poor crops in other countries such as Germany and Poland. It now seems probable that the winter wheat crop in the Northern Hemisphere will be smaller than last year, but this may be offset in part at least by increased seedings of spring wheat in the Northern Hemisphere and winter seedings in the Southern Hemisphere. Private reports indicate increases in acreage in Canada and in Australia.

Conditions in Canada at present also appear to be favorable for a good spring wheat crop, but conditions must continue favorable in Canada to result in a crop as large as last year. The prospect for increased acreage of spring wheat in Canada is offset to some extent by present prospects of a poor crop of spring wheat in the United States.

The present outlook in the United States is for a larger hard red winter wheat crop but smaller soft red and spring wheat crops. The June report indicates a soft red winter wheat crop of only about 120 million bushels, compared with about 180 million bushels last year. The same report indicates a production of about 330 million bushels of hard red winter wheat, compared with 318 millions last year and 360 millions in 1926.

The course of prices during the next few months will be determined as usual largely by crop prospects. Producers will probably continue to receive a premium for good soft red winter wheat over prices of other classes of wheat on account of its relative scarcity. The prospects now are that our markets for hard red winter wheat will be upon an export basis with prices determined very largely by the price level in foreign markets. Producers who have old spring wheat are facing an interesting situation. Should the growing season continue unfavorable so that production would be less than the usual domestic requirements, that wheat might shift from an export to an import basis.

CORN

Corn prices declined slightly during May, the price of No. 3 yellow corn at Chicago declining from 113 cents on May 1 to 103.5 cents on May 31. The farm price of corn on May 15, however, was 102.5 cents, compared with 91.9 cents on April 15 and 73 cents on May 15 a year ago. The price of No. 3 yellow corn at Chicago made slightly less than the usual seasonal advance from April to May, averaging 108 cents for May and 106 cents for April. During the first week of June prices remained fairly steady, ranging from 103.5 cents to 107 cents.

The demand for corn continued active during May and commercial stocks at 39 important markets declined from 35,873,000 bushels on April 28 to 27,535,000 bushels on June 2, compared with a decrease last year from 39,050,000 bushels to 31,632,000 bushels during the same period. The decrease in commercial stocks during May was about 1,000,000 bushels greater than last year in spite of the larger country marketings during the latter half of May.

Weather conditions for planting the new crop in nearly all parts of the country were more favorable than a year ago and planting was practically completed by the first of June. According to the report of the Weather Bureau on June 5 the growth of corn during the first week in June was rather slow over most of the country because of cool weather. The crop is generally up to a good stand, however, and well cultivated, and the condition of the crop is more favorable than usual at this time of the year.

The corn situation in foreign markets is not likely to be an important factor in the price situation in the United States during the next few months. The first official estimate of Argentine corn production for 1927-28 was 303,132,000 bushels, compared with 320,853,000 bushels for the 1926-27 crop. Exports from April 1 to June 1 were 33,757,000 bushels, compared with 47,481,000 bushels for the same time last year, which leaves approximately the same amount of corn for export from Argentina as was available at this time last year. During the last week of April the spread between No. 3 yellow corn at Chicago and Argentine future prices for early delivery was as high as 26 cents. It declined somewhat during May so that by May 26 the spread was only 15 cents. For the week ending May 22 the price of United States corn at Liverpool average 129.7 cents and Argentine corn at Liverpool averaged 126.9 cents, compared with 107.5 cents for No. 3 yellow corn at Chicago. The United States exports of corn during the summer months are usually very small and the present margin between Chicago and Liverpool prices does not indicate that exports will be larger than usual this year. It is likely that imports of corn into the United States from Argentina during the next few months will be less than usual unless the spread between the price of corn in Chicago and Buenos Aires increases.

Although commercial stocks of corn are not materially below last year, the supplies of both oats and barley are unusually low and the amount of feed grains on farms is much below last year, especially in the eastern part of the corn belt.

This together with the higher level of foreign prices are favorabl factors in maintaining a fairly high level of prices until the new crop of oats and barley is available. Should favorable weather for the new crop continue, however, the present level of corn prices cannot be expected to continue into the beginning of the marketing season for the 1928 crop.

COTTON

Cotton prices have shown but slight change for the past month, the average price at 10 spot markets varying between 20 and 21 cents per pound most of the time from April 25 to date. The price received by producers May 15 was 20.1 cents per pound compared with 18.7 cents per pound on April 15, and with 13.9 cents on May 15, 1927. The price of middling spot cotton at the 10 designated markets averaged 20.53 cents for May and 19.7 cents for April, against 15.38 cents for May, 1927.

According to reports of the Weather Bureau, rain and cloudiness together with a cool spring have made growing conditions only fair in the East, while in the West crop progress has been more satisfactory.

The apparent supply of domestic cotton in the United States on June 1928, was 3.9 million bales, whereas it was 5.3 million and 4.0 million b on June 1, for 1927 and 1926, respectively. The Commercial and Financial Chronicle reports stocks of American cotton in European ports and afloat Europe on June 1 as 1.8 million bales this year, compared with 2.6 millio bales on June 1 last year and 1.3 million bales the year before last. Po stocks of American cotton in Japan were 227,000 bales at the end of April, 1928, against 287,000 at the same time last year, according to the United States Department of Commerce. The decrease in foreign port stocks indicates that the large stocks accumulated abroad from the low priced crop of 1926 are being consumed.

The large stocks held abroad at the beginning of this year, togeth with the increased price, accounts for this season's low exports. Expor of domestic lint cotton for the 10 months ending May 31 were 6.8 million bales, compared with 10.1 million and 7.3 million to corresponding dates 1927 and 1926. Exports during May were 578 thousand bales, compared with 467 thousand in April, 1928, and 612 thousand in May, 1927.

Due to the high rate of mill activity during the fall months of 19 domestic consumption for this season to May 1 was 5,305,671 bales compare with 5,330,031 bales the similar period last year. The consumption for May was 577,710 bales and for April, 525,158 bales against 629,948 bales for May, 1927, and 516,376 bales for May, 1926.

The general level of cotton textile mill operations in Continental Europe remained relatively high during April and May and many mills had a satisfactory amount of orders on hand at the end of May, according to Act Agricultural Commissioner Steere at Berlin. Some improvement occurred in France and Italy, while activity was slackening in Germany, Czechoslovaki and Austria. Reports from the textile trade continued to indicate that s of cotton goods in the hand of wholesalers and retailers are not burdenso Demand for British cotton yarn was reported very weak up to the middle of May and demand for cotton piece goods was little better according to trad reports.

WOOL

Wool prices at Boston have shown a gradual rise the past month for most grades. Toward the latter part of May medium wools both fleece and territory were more active and became the feature of the market. The average price received by producers on May 15 was 37.0 cents or 1.4 cents higher than on April 15 and 6.9 cents above May 15, 1927. Prices at the third series of the London Sales which closed on May 22 were steady but about 5 per cent below the second series for most grades.

Stocks in the United States continue low but with an indicated clip this year larger than last year, judging from the number of sheep. The movement of domestic wool this year has been in line with previous years, the receipts of domestic wool at Boston from January through April being 29.1 million pounds, as compared with 30.8 million and 30.3 million for the corresponding periods in 1927 and 1926. The outlook for foreign production has shown little change the past month. Reports from Australia continue to indicate improved pastoral condition. Stocks on hand in Australia at the end of April were 30.7 million pounds against 25.7 million a year previous, according to the National Council of Wool Selling Brokers.

Reports on mill activity in the United States for April show some decline. Imports continue much below normal; the imports of combing and clothing wool for April were only 12,303,000 pounds or less than for any April since 1924 and about half the five year average for April from 1923 to 1927.

While a gradual rise has recently occurred in domestic prices, that rise has not been equal to that abroad. The continuous rise in prices of wool at the London Sales for the past several months has not been accompanied by any such rate of increase in the United States. This disparity can be accounted for by comparing the important factors influencing prices of wool in foreign markets and in the United States. Among the factors causing strength in markets abroad have been the light supplies, the economic improvement on the Continent and in England, and the increased demand from Japan. The relation of the United States prices of wool to those in foreign markets is determined largely by foreign and domestic demand conditions and the general price level. The principal indexes of business conditions in the United States this year have indicated a decline in business activity, e.g., the first quarter of this year as compared with the same period last year and the year before last show a decrease in pig iron production, and general payroll totals. Wholesale prices, although somewhat higher than last year, have not shown any appreciable advance. The continued rise in prices abroad, however, has lifted domestic prices.

HOGS

After reaching the peak of the belated spring rise during the last week in April hog prices declined about 5 per cent during the first three weeks of May and have since remained rather steady. The average cost of packer and shipper droves at Chicago in May this year was $9.67 compared to $9.28 in April, $9.59 in May, 1927, and $13.55 in May, 1926.

Receipts of hogs at 67 public markets in May were 3.5 per cent larger than in May a year ago while local slaughter was only 1.5 per cent larger. Receipts at the seven principal markets during the first 11 days of June were about 5 per cent larger than a year ago. With the usual relation between inspected slaughter and market receipts an increase of 3 to 5 per cent in inspected slaughter in May as compared with that of May, 1927, is probable. Since hogs are being marketed at lighter weights than last year total production of inspected pork and lard in May like that of April was probably less than that of a year ago.

Storage stocks of pork on June 1 were 16 per cent larger than on June 1, 1927, and 17 per cent larger than the five year average, but were 5 per cent less than on May 1 this year. Stocks of lard were 66 per cent larger than a year ago and 63 per cent larger than the 5 year average, and were the largest for any June 1 on record.

The exports of pork products for April were materially below exports for March and were below April a year ago. The decrease in exports as compared with March, occurred in all products, being greatest in bacon and lard, each of which showed reductions of approximately 33 per cent. Compared with April last year, the reduction was entirely in lard which showed a decrease of 16 per cent whereas pork products increased about 26 per cent. Production of pork and lard from inspected slaughter during the six months November, 1927, to April, 1928, totalled 4,819 million pounds or 21 per cent more than in the corresponding period of the year previous. Approximately 3,663 million pounds of this production or 76 per cent passed into domestic consumptive channels, 567 million pounds or 11.8 per cent were exported and 589 million pounds or 12.2 per cent were placed in storage. A year ago production for the six months period totalled 3,982 million pounds and 3,109 million pounds or 78 per cent moved into consumptive channels, 492 million pounds or 12.4 per cent were exported and 381 million pounds or 9.6 per cent moved into storage. The proportion of the six months production moving into storage this year is the largest in four years while the proportion exported is the smallest.

Developments in the hog situation during the next few months will depend somewhat on the prospects for the corn crop and the size of the spring pig crop which will be indicated by the June pig survey. The present unfavorable corn-hog ratio is conducive to considerable liquidation of breeding stock, but on the other hand, with conditions favoring a good yield of corn such liquidation may be slight.

LAMBS

Lamb prices made a further advance during May that carried the level of slaughter lamb prices to the highest point for the month since 1920. Fat sheep prices, however, made a seasonal decline. During May a gradual shift from aged fed lambs to early spring lambs takes place, with varying proportions of the two kinds in the total supply from year to year. This makes comparisons of average prices, either with the previous month or previous year of questionable significance.

Receipts of sheep and lambs at seven leading markets in May, 1928, were 893,000 compared with 862,000 head in May, 1927, and the three-year average of 850,000. California spring lambs made up a large part of the total supply. The supply of Texas grass sheep was much below that of May either in 1927 or 1926. Supplies of early lambs from all sections in June promise to be fairly plentiful and a seasonal decline in prices is now taking place. The adjustment in lamb prices from early June to late July usually results in a general level of lamb prices by the 1st of August that continues during the period of the fall movement.

CATTLE

Cattle prices at Chicago during the greater part of May continued strong on most kinds and new peak prices since 1920 were reached by lower grades. During the fourth week of the month the market on all kinds weakened somewhat and on choice heavy steers the decline amounted to nearly $1.00. Most of this decline, however, was regained the following week. The average price of native beef steers in May was $13.19 compared to $13.01 in April and $10.68 in May, 1927. All grades except choice averaged higher in May than in April. The prices of common and cutter cows in May reached a level but little below the highest prices prevailing during the war. Poor pastures in the North Central States and shortage of feed in South Texas have delayed the movement of grass cattle and postponed the seasonal drop in prices of lower grade cattle of all kinds.

Receipts of cattle at seven leading markets in May were 14 per cent smaller than in May, 1927, and 12 per cent smaller than the five-year average for May, and the smallest for the month since 1921. Stocker and feeder shipments during May from twelve leading markets were about 10 per cent larger than in May, 1927. Receipts of choice steers at Chicago were about 12 per cent smaller than in May, 1927, while receipts of all slaughter steers were 23 per cent smaller. The proportion of heavy steers of better grades was larger than in May last year with the result that prices for light steers were at about the same levels as for heavies, while a year ago they were at a sharp discount.

The steer corn ratio at Chicago in May was 12.3 compared to 11.5 in May, 1927; the ratio of average fat steer prices to average feeder steer prices in May was 116 compared to 119 in May, 1927. During the next sixty days the seasonal gradual widening of the spread between the better and poorer grades of killing cattle will probably take place, due to an advance of the former and a decline of the latter. If favorable corn prospects continue during the summer, however, the usual seasonal decline in the prices of stocker and feeder steers will probably be smaller than usual and may be largely eliminated.

BUTTER

Butter receipts at the five principal markets were below receipts for the same time last year for the second successive month. Receipts during the five weeks ending June 2 were nearly 21 per cent below the receipts for the same period last year and 11 per cent below receipts for the same period in 1926. For the month of May receipts were the smallest since May, 1921. This is in line with the reduction in creamery butter production, which during April was reported to be 6.8 per cent below a year ago.

The comparatively light butter supplies of the new season to date are reflected in the price relationships of recent months. While the April average price of 45.5 cents on 92 score in New York was 5 cents lower than April of last year, the May average of 44.9 cents was 1.5 cents higher than May of last year and the highest May price since 1920. The New York price on 88 score was in a still more favorable position, as compared with a year ago, the average for May being 43.3 which was 4.2 cents higher than for May of last year.

Foreign prices are also in a more favorable position than a year ago, the Copenhagen quotation averaging 35.4 cents during May compared with 32.9 cents a year ago. However, the margin between New York and Copenhagen prices was greater than usual during May, amounting to 9.5 cents as compared with a five year average of 7.5 cents.

The into-storage movement which usually gets well under way in May has been exceptionally light so far this season. Total cold storage holdings on June 1 this year were only 16,020,000 pounds, compared with 25,404,000 pounds on June 1, 1927, and a five-year average of 20,292,000 pounds.

Pasture conditions have improved from 71.3 per cent on May 1 to 78.6 per cent on June 1, the improvement being rather general throughout the country. Pasture conditions are still materially below last year, however, when the condition was reported to be 88.3 and are below the ten-year average of 87.

Feed prices are still somewhat higher than a year ago. The index number of a dairy ration of commercial feed in New York as compiled by the New York State College of Agriculture, was 167 (1910-14=100) for April compared with 132 for April a year ago. For the week ending June 6 bran and alfalfa meal prices were somewhat lower than in April, while most other feeds were higher.

Although the improvement in pasture conditions may result in slightly more than the usual increase in receipts, it is hardly to be expected that receipts during the next few months will equal the unusually heavy receipts of last year when conditions were very favorable for heavy butter production. These lighter receipts together with a favorable demand for butter for storage will tend to maintain the recent strength of the market.