UNITED STATES DEPARTMENT OF AGRICULTURE
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THE PRICE SITUATION, JANUARY, 1929

FARM PRICES

The index of farm prices of December 15 remained unchanged at 134 or four points lower than a year ago. On the whole prices of individual commodities changed very little, the noticeable advances being registered by oats, hay, apples and eggs, which were entirely offset by weaker livestock prices. Grains and fruit and vegetable prices are responsible for the general average remaining below that of last year. For the next few months seasonally firmer prices of some of the important agricultural products are likely to raise the general average of farm prices somewhat above the December level.

THE GENERAL COMMODITY PRICE LEVEL

Wholesale market prices have continued the declines which set in during the last part of September. The weekly Annalist index has declined from 153.5 during the second week of September to 147.2 the last week in November and after a very brief recovery, declined again to 147.4 on December 31. This level is approximately half way between the low level reached in the spring of 1927 and the peak in September, 1928. During December textile and metal products were again somewhat higher, fuel and chemical prices a shade lower, and agricultural prices sufficiently lower to offset the firmer non-agricultural prices.

BUSINESS CONDITIONS

The general level of business activity during December appears to have remained unchanged from that of November. Production in basic industries, railroad traffic, employment and factory payrolls remained somewhat under the peak reached in October, but considerably above the moderately depressed conditions of December, 1927. The year 1928 appears to have ended in the advancing phase of the business cycle, with general expectations that during the next few months business activity will either remain at its present level or advance somewhat further. The chief concern in these prospects is the rapid advance in interest rates during the summer months of 1928, occasioned not by business demand so much as by the outflow of gold, and although they were somewhat lower during November and December than in October, they are still high enough to raise the question of their possible effect on the future course of the business cycle. So far they appear to have had little effect on industrial production. The chief trends are continued strength in the iron and steel industry and preparations for expansion in automobile production, but a slowing down in building activity, as measured by contracts awarded during November and December, to a level below that of 1927. The buying power of consumers, as reflected in retail trade during December, was somewhat above that of December, 1927, but that improvement appeared only in the three Federal Reserve districts of New York, Chicago and San Francisco. In the speculative market, prices of industrial stocks declined considerably during December but quickly recovered to new high levels by the end of December and the first ten days in January.

WHEAT

Cash wheat prices were mostly a little lower in December than in November, though the average farm price as of the middle of the month was 98.2 cents per bushel in December as against 97.1 cents the previous month. The average market price of all classes and grades was 107 cents per bushel in December - a figure two cents lower than in November and the same as in October. Prices were highest early in the month, averaging 108.6 cents per bushel the week ended December 7, while the next two weeks they were at about the month's average, being 106.7 and 107.5 cents per bushel. The last week of December and the first week of January there were further declines, the average of all classes and grades being 106.5 and 105.5 cents per bushel respectively for these weeks. The decline was followed by a sharp upswing during the second week of January.

The decline during December was greatest in the price of soft red winter wheat, the average price of all grades dropping from 133.1 cents per bushel for the week ended December 7 to 118.9 cents for the week ended December 28, but the recovery was earlier and more marked for the week ended January 4 the price being 126.4 cents per bushel. Of the other classes of wheat, hard winter showed the greatest weakness, declining from 110.6 cents per bushel for the week ending December 7 to 103 cents for the week ending January 4. Hard spring wheat, which was 115.1 cents per bushel the first week of December, was 3 cents lower the last week of the month, but the week ended January 4 had risen to 113.1 cents, thus regaining its level of the middle of November. Protein premiums during December were about the same as in November, but they showed a tendency to rise early in January.

The course of wheat prices since the middle of August bears striking resemblance to the corresponding period of the crop year 1923-24. Hard winter wheat, hard spring wheat, and durum wheat prices have not only been at about the same levels as for the crop of 1923, but the course of prices to date has been much the same for this year. Soft winter wheat, on the other hand, has been about 30 cents per bushel higher than in 1923-24 due to the smaller production of this class. Amber durum prices have been erratic this season and have been relatively higher than the other subclasses of durum wheat because of the small amount of the crop which grades amber durum.

The supply situation this year is like that of 1923-24 in many respects. The world crop (exclusive of Russia and China) of 3,730 million bushels this year is of about the same size relative to consumption requirements now as was the 1923-24 crop of 3,511 million bushels to the consumption requirements of five years ago. The Southern Hemisphere crop was large in both years, the 373 million bushel crop of Argentina and Australia being as large for that time as a 400 million bushel crop would be for this year. The chief points of difference affecting the domestic situation are three. First, the United States has a much smaller crop of soft wheat this year and prices for it are higher. Second, the increase of the world crop this year over the preceding year is about 185 million bushels, while the increase of the 1923-24 crop over the previous year is estimated at 326 million bushels. Third, the United States crop comprises a larger part of the world production this year than it did in 1923-24, being estimated at 904 million bushels this year as against 797 million in 1923. The larger crop in the United States this year, together with the location of the crop, has resulted in the visible supply mounting to unusual heights, and it should be borne in mind, that this does not indicate that the world supply situation is essentially different than in 1923 in regard to its most significant features.

In the late winter of 1923-24 the hard winter and hard spring wheats rose to levels which were relatively high for that season. Conditions seem favorable for similar improvements in prices at some time during the next two months. The course of prices for the remainder of the year, however, will be largely dependent upon the outturn of the Argentine crop and upon the progress of winter wheat in the United States. The Argentine crop is now thought to be larger than appeared likely earlier in the season, but the absence of official estimates continues to make the situation very uncertain.

CORN

Corn prices have been well maintained during the past four weeks. At Chicago, No. 3 yellow corn averaged 83 cents per bushel during December and the average price for the week ended January 4 was 84 cents per bushel. This compares with an average of 83 cents for the month of November. The average farm price for the country as of the middle of the month was 76 cents in December as against 75 cents per bushel the preceding month. From day to day there have been rather large fluctuations especially during the past two weeks, but the weekly average prices have been fairly steady. For the week ended December 7, the average price of No. 3 yellow at Chicago was 83 cents per bushel. For the four following weeks, the averages were 82, 83, 85, and 84 cents respectively, the last figure being for the week ended January 4. For the week ended January 11, however, prices were considerably higher. Prices at other markets have moved much the same, except that during December there was a slight downward tendency at Kansas City in place of the slight upward movement at Chicago and St. Louis.

There has been little news of significance with regard to the supply situation during the past month. The December estimate of production for 1928 was revised downward slightly to 2,840 million bushels, as compared with the revised estimate of 2,763 million bushels for 1927, making total supplies as of November 1 for 1928, 2,896 million bushels, as compared with 2,898 million bushels on November 1 of 1927. Receipts at 13 primary markets from November 1 to January 8 have been 78.9 million bushels against 59.6 million for the corresponding period a year ago. From November 3 to January 5 commercial stocks have increased 18.9 million bushels as compared with an increase of 6.7 million in the corresponding period of last year, but stocks are still about nine million bushels less than they were a year ago. The very heavy movement of hogs to market during the past two months suggests that more of the new corn crop may have been fed, up to this time, than was previously expected. If such is the case corn receipts will probably be smaller and the market will be stronger than has been anticipated. It may be, however, that the heavy movement of hogs during the past two months indicates early marketing rather than unexpectedly large numbers of hogs to which new corn has been fed.

The demand for corn at terminal markets continues to be strong. Exports from November 1 to January 5 were 9,594,000 bushels, as compared with 1,936,000 bushels in the corresponding period last season, and the total of 20,556,000 bushels for the crop year November, 1927 to October, 1928. Shipments of corn from the principal exporting countries since November 1 have been 52 million bushels this year against 64 million bushels last year and with Argentine corn for early delivery quoted at 98 cents per bushel on January 8 it appears likely that Europe in order to supplement her short corn crop will continue during the next two or three months to take more corn from the United States than last season.

For the next few months developments in the corn price situation will depend largely upon the disposition of farm supplies and upon the outturn of the Argentine corn crop. There will be little definite information on the former until estimates of farm stocks as of March 1 are available. Uncertainty concerning the outturn of the Argentine crop will probably continue until about the same time. Meanwhile prices are likely to fluctuate considerably upon current trade reports concerning both of these factors. At this time there is nothing to indicate either a marked upward or downward trend in prices for the next few months, and prices are expected to fluctuate at about present levels until some more definite news is available. Unless supplies of corn now available in the corn belt are as small as they were a year ago, it is not expected that corn prices will move rapidly upward during the next three months as they did during the corresponding months of last season.

COTTON

Cotton prices were about steady during December but during the first week in January fell to a point almost 1 cent per pound below the peak attained in the last week of November. For the month of December the price of middling spot cotton at the 10 designated markets averaged 19.07 cents per pound compared with 18.70 cents in November and 18.99 cents in December, 1927. The price received by producers averaged 18.0 cents per pound in December, 17.8 cents in November, and 18.7 cents in December, 1927.

The apparent supply of American cotton remaining in the United States on January 1 was 9.3 million bales compared with 9.9 million on January 1, 1928. The Commercial and Financial Chronicle reports stocks in European ports on January 4 to be essentially the same as last year at 1.7 million bales. There were also reported to be 613thousand bales afloat, compared with 444 thousand bales on January 4, 1928.

Exports continue far in advance of last year, being exceeded since the war only by those of 1926-27 when the prices were extremely low. Exports were 1,058 thousand bales for December and 1,428 thousand for November this season compared with 745 thousand in December and 984 thousand in November last season. Exports from August 1 to December 31 were 4.8 million bales compared with 3.8 million bales during the corresponding period of the previous season.

The cotton textile industry in Europe continues to show improvement after the recession of last spring and summer. The weakness in raw cotton prices since the end of November appears to have caused some holding off in mill purchases and has affected the yarn market somewhat.

Domestic consumption was lower for the month, being 534 thousand bales for December and 611 thousand for November, compared with 539 bales in December and 626 thousand bales in November of the previous year. For the period August 1 to December 31, 1928 the domestic consumption has been 2.8 million bales compared with 3 million bales during the similar period in 1927.

Textile production continued at a high rate according to the report of the Association of Cotton Textile Manufacturers averaged 69.8 thousand yards for the four weeks of December compared with 68.4 thousand yards for the five weeks of November. Stocks at the end of December were 392 thousand yards which constituted an increase of 3 thousand yards over those at the end of November, but a decrease of 25 thousand yards under those at the end of September. Unfilled orders were 469 thousand yards at the end of December.

WOOL

Prices of domestic wools at Boston showed very few changes in December and sales were generally for small quantities. The average price received by producers in the United States on December 15 was 35.6 cents as compared with 35.9 cents on November 15 and 32.0 cents on December 15, 1927.

Latest available data show a continuance of very small imports and a consumption in moderate volume. The total imports of combing and clothing wool during November were 2,970,000 pounds as compared with 5,095,000 pounds in November, 1927, and an average for November 1923-27 of 6,461,000 pounds. Imports for the 11 months, January-November, were 84.4 million pounds and 113,3million for the same period last year.

Consumption of combing and clothing wool by reporting mills amounted to 36,345,000 pounds (grease equivalent) in November, 33,900,000 pounds in November last year, and an average of 35,295,000 pounds for November 1924-27.

Business in wool manufactures at Bradford was very quiet during December and slight reductions were made in the price of practically all merino and crossbred tops, according to Consul Thompson. The wool manufacturing industry on the European continent has been generally active the past month, states Agricultural Commissioner Steere at Berlin. The improvement noted in the German wool industry in November has been maintained, and the raw wool market at Bremen has been very active.

Stocks of raw wool in foreign primary markets at the end of November were above those of a year ago. Reports continue to indicate an increased clip in the important producing countries abroad. Although conditions appear firm, the increased supply and the large differential between foreign and domestic prices make the prospects for materially higher prices doubtful.

CATTLE

The price of the better grades of slaughter cattle were weak and declining during December while the price of the lower grades remained fairly steady in line with usual seasonal tendencies. Prices of stocker and feeder cattle also declined somewhat The average price of choice beef steers at Chicago declined about $1.40 and of good beef steers about $1.00 during the month. The general average price of beef steers at Chicago in December was below the December price of 1927 - this being the first month in over a year when this average price was below the same month of the previous year.

Receipts of cattle at 7 leading markets were about 7 per cent smaller in December 1928 than in December 1927. Because of the sharp falling off of feeder cattle shipments in December this year compared to December 1927 the indicated inspected slaughter for December 1928 was about as large as for December 1927. Receipts of good and choice steers at Chicago in December 1928 were over 30 per cent larger than in December 1927.

The number of cattle on feed for market in the Corn Belt was about 3 per cent more on January 1, 1929 than on January 1, 1928 according to the feeding estimate of the Department. While total slaughter of cattle during the next few months will probable be no larger than for these months a year ago, the supply of grain finished cattle will probable be larger. The usual seasonal price decline on better grade beef cattle from January to May seems probable for this year.

LAMBS

The lamb market, which had been generally weak for several months, had a sharp upward reaction after the middle of December that carried prices by the end of the first week in January to the highest level since last June. The top price on lambs, that had been around $14.00 early in December, reached $17.00 the first week in January. The advance on lower grade lambs was even larger.

The weekly receipts of sheep at 7 leading markets in December were about the same as for similar weeks in December, 1927 until the last week of the month when there was a sharp dropping off. Total receipts for the month were about 2 per cent smaller than in December, 1927.

The number of lambs on feed for market January 1, 1929 was about per cent larger than on January 1, 1928. Prices early in January this year were nearly $3.00 a hundred above prices on January 1, 1928. With supplies for the next few months above last year, no such advance in prices as took place a year ago from January to May can be expected this year.

HOGS

Hog prices apparently reached the low point of the winter season the week ending December 15 when the average cost of packer and shipper droves at Chicago got down to $8.50. Prices have since been gradually moving upward, and average cost for the week ending January 12 was about $9.00.

Prices fell from the unexpectedly high price of mid-September to a point in December lower than was anticipated earlier. The decline amounted to $4.00 or 32 per cent, whereas the average fall decline in the previous 27 years amounts to about 22 per cent, and in only four of these years has it exceeded 30 per cent. The unusually marked price advance in the early fall, and the severity of the subsequent decline, apparently were due to producers holding back hogs which ordinarily would have come to market in the early fall for fattening on new corn, and to a tendency to market hogs earlier this winter than last.

Last winter marketings were delayed and supplies were moderate until January when they became very large. February and March established new slaughter records and in consequence prices at Chicago were held down to the $8.00 level until the beginning of April.

This season October inspected slaughter showed an increase of 25 per cent and November 21 per cent over the corresponding months of 1927. December reports are expected to show an increase of 20 per cent or more. In other words approximately 2½ million more hogs were slaughtered in the last quarter of 1928, than in the last quarter of the previous year. Average weights were heavier than in 1927 and this is interpreted to mean that because of the scarcity and high price of corn last summer many producers carried hogs on grass which ordinarily would have been sent to market and later these hogs were finished out as quickly as possible on new crop corn and sent to market in the late fall. Reports also indicate that because of the larger crop and generally high quality of corn raised in 1928 as compared with that of 1927 producers generally have been more liberal with their feed and have made their hogs ready for market earlier than usual. In some instances hogs were marketed early in order to pay off bank loans incurred last winter to buy feed as a result of the short corn crop in 1927. Some producers who marketed early no doubt had in mind the low prices which prevailed late last winter and were afraid that similar conditions might prevail again this season.

Notwithstanding increased supplies this winter prices of hogs since December 1 have averaged slightly higher than a year ago. Pork product prices are at about last year's levels. Stocks of pork in storage on January 1 were 16 per cent greater than last year and those of lard 54 per cent larger.

The 1928 spring pig survey indicated a decrease of about 7 per cent in the pig crop which is now coming to market. Total winter marketings however will probably not show as much reduction as this. Since marketings to date have exceeded those of a year ago by approximately 2½ million head or more than 20 per cent the situation indicates that marketings during the remainder of the winter season will be less than last winter and that prices are likely to make at least a normal seasonal rise as supplies fall off.

BUTTER

The price of 92 score butter in New York broke sharply on December from a price of 52 cents. The price reached the low of the month at 48½ cents on December 28. There was a slight recovery early in January. The December price averaged 50.5 cents compared with 51.9 cents in December 19 and 51.2 cents for the five year average. Prices received by producers fo butterfat on December 15 averaged 49.2 cents per pound compared with 47.8 cents in December 1927 and 46.7 cents for the five year average. The pric to producers for butter on December 15 averaged 46.3 cents compared with 45.7 cents for December 15, 1927 and 45.0 cents for the five year average.

Production continues to run heavier than last year in the principal butter producing sections. There has been no material change in the pric of hay and feed grains which continue favorable to heavy production. The present outlook is for a somewhat heavier production during January and February of 1929 than for corresponding months of 1928. Receipts at the four principal markets were 41,045,948 pounds in December as compared wit 38,631,538 pounds last year.

Storage holdings are still below those of last year, amounting to 43,786,000 pounds on January 1, as compared with 70,985,000 pounds on January 1, 1928.

Foreign butter prices are now declining from their unusually high December peak somewhat more rapidly than domestic prices. The Copenhage official quotation which was equivalent on December 13 to 44.2 cents had declined by January 10 to 39.6 cents. The price of 92 score butter at N York in the same time has declined from 50½ cents to 47½ cents, and the price margin in favor of New York has again widened from 6 cents to 8 ce The course of London prices from now on is chiefly dependent upon the vo of supplies arriving and in prospect from countries of the Southern Hemi sphere. Shipments afloat as of January 1 from New Zealand, Australia an Argentina were the heaviest in total volume since the 1925-26 season, am ing to 44,800,000 pounds as compared with 43,008,000 pounds on December 1927; 31,080,000 pounds on January 1, 1927; and 33,264,000 pounds on Jan 9, 1926. The early shift this season to cheese production in New Zealan together with light stocks from the output of the past European season i contributing to the postponement of any substantial diversion of butter the United States markets to date.

There is little prospect of butter prices rising above the levels early January. Domestic and foreign production are running above that o last year, and stocks afloat are greater than for the corresponding per of last year. The general trend in prices the next two months will prob be downward. Prices this January will probably average somewhat lower t those of last January and prices in February about the same as those of February. There is nothing in the situation, however, to warrant any sh breaks in prices, and if any occur, a subsequent recovery may be expecte