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THE PRICE SITUATION, MARCH, 1929

FARM PRICES

The general average of prices received by producers was higher in February than in January and approximately at last year's level, the index of farm prices being 136 for February compared with 133 for January and 135 for February 15, 1928. This three point rise in the index was due very largely to an advance between January 15 and February 15 in the farm prices of grains, particularly a six cent advance in wheat prices, and to an advance of 70 cents per hundredweight in the price of hogs. Hay, potatoes, apples, sheep and lambs, horses and chickens also showed moderate advances. Eggs declined somewhat. Since February 15 grain prices, apples, potatoes, wool and eggs have weakened, particularly the latter, but hogs have made another substantial advance and cotton prices advanced about a cent and a quarter.

The general average for March and April is expected to be maintained at its present level or somewhat higher. Last year the index rose from 135 in February to 140 in April and 148 in May due to a rapid advance in grain prices, but such a movement is not in prospect this year.

THE GENERAL COMMODITY PRICE LEVEL

An improvement during the past few weeks in the average of wholesale prices of farm products and of metals has raised slightly the general level of commodity prices. The advance in farm product prices is indicated by a rise in the Annalist index from 144.8 on February 5 to 146.7 on March 5. The all commodity index for the same dates rose from 146.5 to 147.1 which represents the first sustained improvement since the practically continuous decline from last September to February. Food prices were somewhat higher at the end of February than at the beginning but declined during the first week of March. Textile prices have remained practically unchanged during the past four weeks, while fuel prices averaged nearly two points lower on March 5 than on February 5.

The present business situation is likely to operate toward maintaining the present commodity price level while diverse prospective trends among agricultural prices are likely to have a similar influence.

BUSINESS CONDITIONS

Business activity in general during February showed a slight improvement over that of January, as a result of the unusual activity in the automobile and iron and steel industries, which somewhat more than offset the reduced activity in construction work. Car loadings particularly of coal and ore also increased, while the weakness in the building industry was reflected in reduced shipments of forest products. Retail trade was practically at the same level as a year ago, but only the New York and Chicago districts showed appreciable gains while all the other areas, particularly the agricultural districts of Atlanta and Minneapolis, showed considerable declines. Employment conditions reflected the seasonal improvement usual at this time of year, the volume in February being somewhat higher than in January and higher than the volume of a year ago. The credit situation continued to be the chief element of uncertainty as to how long the present improved business situation is likely to continue. Interest rates were somewhat higher in February than in January. Stock prices declined until the middle of the month but recovered to a new peak by the end of the month. Since than another decline has set in. The effects of the continued high interest rates are so far reflected mainly in the reduced volume of building contracts awarded, the reduction being chiefly in residential construction. A continuation of the present tendencies in business would probably tend to decrease the demand for linseed oil and cause a continued strong industrial demand for cotton and a maintenance of the present level of domestic demand for food products in general.

WHEAT

Wheat prices in February rose to the highest point of the season since the beginning of August, but this rise was checked within the month and prices are now fluctuating near the level of the beginning of February. The average farm price as of February 15 was 104.2 cents per bushel as compared with 98.5 in January. The market price of all classes and grades at six markets in February averaged 118, four cents above the average for January, rising from 117 the first week in the month to 120 the week ending February 22, which is the highest weekly average since the first week of August. In the past two weeks prices have averaged about the same as in the first two weeks of February.

The February rise in wheat prices was realized mostly in the dark northern spring, western white, and hard winter wheats. The average price for No. 1 dark northern spring at Minneapolis rose from 131 the week ending February 1 to 139 the week ending February 22, western white from 118 to 122, and No. 2 hard winter at Kansas City from 117 to 120 cents per bushel. Soft red winter wheat, on the other hand dropped the second week in February and then rose to 145 cents per bushel, or one cent above the average for the first week, and No. 2 durum dropped from 132 to 129 and then rose to only 130. .The prices of all these classes of wheat dropped in the last week of February and continued into March on a somewhat lower level. Spring wheat protein premiums have continued to fluctuate considerably and are about the same as in January, while the protein premiums on winter wheat are still lower than in January.

In the past month there have been no definite changes in the estimate of the world's supply of wheat from the 1928 crop which is estimated to be about five per cent greater than the 1927 crop. The size of the Argentine crop is still much in doubt. The trade continues to estimate the crop at around 300,000,000 bushels, whereas weather conditions through the growing and harvesting season, on the basis of estimated acreage, indicate a crop of only about 255,000,000 bushels.

The movement of wheat from surplus to importing countries continues in large volume. Exports of wheat including flour from the United States, July 1 to March 2 totaled only 104 million bushels, 62 millions less than last year. Canada, on the other hand, has shipped overseas about 100 million bushels in excess of the exports in the corresponding period of last year. The Southern Hemisphere has also contributed large quantities. World exports from July 1 to date have totaled nearly 100 million bushels in excess of last year.

The large quantities shipped appear to be going into consumption at a good rate. The flour trade in the Orient is reported to be quite active. India is taking some wheat. In Europe, notwithstanding increased production, trade stocks are reported to be only moderate, with no tendency to accumulate foreign stocks. In southern Europe in particular, consumption seems to have increased considerably. It appears, therefore, that the world will consume considerably more wheat this season than last, and that the carryover at the end of the season may be increased only to a moderate extent.

The disappearance of wheat in the United States from July 1, 1928 to March 1, 1929 appears to have been about the same as last year, consequently March 1 stocks are considerably larger than last year. Most of the increase in supply and curtailment of imports are accounted for in larger farm and commercial stocks which total 67 million bushels more than last year. This probably means some increase in carryover in the United States at the end of the marketing season.

The outlook for world production next year is of course quite uncertain. The area of winter wheat seeded as reported to date in 13 countries representing about one-half of the total wheat area outside of Russia and China is four per cent less than last year. Most of the decrease, however, is in the United States and might be offset by a reduction in abandonment. Europe has had a severe winter but the extent of winter killing is still to be determined both in the United States and in Europe. The prospects for spring seeding soon will begin to be an important factor in the situation. Reports of insufficient moisture in western Canada are already being given some consideration.

As usual, wheat prices for the remainder of the season will fluctuate considerably with reports of spring seeding and growing conditions. The opening of navigation on the Lakes, which in recent years has occurred between April 14 and May 4, may have some temporary influence upon wheat prices. It is of interest to note, however, that heavy shipments early in the season probably have reduced the supply in Canada available for the remainder of the season approximately to what it was at this time last year. Unfavorable conditions for spring seeding might tend to slow up the marketing of the Canadian grain and offset the influence of the opening of navigation upon wheat prices in general. An important factor in the present outlook is the movement of the Argentine crop. A continuation of the present heavy movement from the Argentine, together with some increase in the volume from Canada might have a depressing influence upon the wheat market, unless it were offset by a prospect of a reduction in next year's crop.

The reports of stocks on farms by States indicate that soft red winter wheat supplies are very low in the East North Central States, and that the total available supplies of this wheat are comparatively short.

Soft red winter wheat prices, therefore, should maintain the relatively high differential over other classes of wheat. It appears, however, that there is some substitution of low protein hard wheats which probably will hold the prices of soft red winter more in line than last year with the hard winter prices. Spring wheats are likely to continue near present levels and if conditions in Canada appear to be quite unfavorable for the new crop prices may rise further toward the end of the season. A heavy carryover of hard red winter wheat, particularly in Kansas, probably will hold this class of wheat to a world market basis for the remainder of the season. Unless there is heavy abandonment in this area, the course of prices will depend very largely upon the prospects for the 1929 world crop.

CORN

During February corn prices averaged about the same as in January. The United States farm price as of February 15, however, was 86.8 cents per bushel as against 80.2 cents January 15 and 79.0 cents for February of last year. At Chicago, No. 3 yellow corn averaged 94.4 cents for February, compared with 93.1 cents per bushel the previous month. At Kansas City the average price of No. 3 yellow was the same for both January and February, being 86.8 cents per bushel for each month.

The sharp rise in the price of cash corn during January carried No. 3 yellow at Chicago from an average of 84 cents per bushel the week ended January 4 to 97 cents for the week ended January 25. Thereafter, there was some decline followed by a slight improvement. The price for the week ended February 8 was 95 cents per bushel and for the three following weeks 94 cent while the week ended March 8 it averaged 96 cents per bushel.

Receipts at 13 primary markets were 32 million bushels during February as compared with 44 million during the corresponding month of last year. From November 1 to March 1 receipts have been 143 million bushels for this crop year against 134 million for the corresponding period of the previous season. Commercial stocks of domestic grain in the United States were 37 million bushels at the close of the week ended March 2 as compared with 45 million on the corresponding date of last year. The increase in commercial stocks since the first of November has been 35 million bushels this season against 21 million a year ago. Farm stocks March 1 were somewhat above a year ago, being 1,030 million bushels against 1,012 million last year. The largest increases in stocks were in the Corn Belt States, while there were decreases in most of the others, especially the Southern and Middle Atlantic States. Iowa had 209 million bushels on farms this year against 135 million last year, and Illinois 143 million this year compared with 94 million last year.

Total corn stocks at the beginning of March amounted to 1,066 million bushels compared with 1,057 million a year ago. The figure this year represents a reduction of 1,829 million bushels from the total comprising the crop and the stocks November 1. The corresponding reduction a year ago was 1,843 million bushels. The reduction in total supplies this year includes exports of 30 million bushels, while that of last year included exports of 8 million. These figures seem to show a domestic disappearance of 1,800 million bushels this year against 1,835 million during the corresponding period of last season.

The actual reduction in domestic disappearance this season as compared with last is probably more than these figures indicate, for more of the 1928 corn crop appears to have been consumed prior to November 1 than was the case with the 1927 crop because of extremely small stocks of old corn.

Farm stocks of oats and barley on March 1 are estimated to be well above last year's levels. Combining stocks on farms and commercial stocks of domestic grain, total oats stocks as of the first of March this year are 518 million bushels compared with 394 million last year, while barley stocks this year are 108 million bushels against 66 million a year ago. March 1 stocks of oats represent a reduction of 976 million bushels from the total supplies available last summer as compared with a reduction of 861 million bushels by March 1, 1928. From July 1 to March 1 the decrease in barley supplies has amounted to 260 million bushels as compared with 206 million during the corresponding period of last season.

Exports of corn from the United States continue to be heavy, though the three weeks ended March 2 showed some decline from those of January and early February. From November 1 to March 2 the total was 30 million bushels against 8 million during the corresponding period of last year. The Argentine situation continues uncertain with indication pointing to a rather low yield and if this prove to be the case, a continued strong export situation should lend support to the market. The increase of exports this year over last year has tended to counterbalance a decrease of the commercial disappearance in the United States. Consumption at the 14 primary markets from November 3 to February 16 is reported by the Grain World as 47 million bushels against 65 million in the corresponding period of last year.

The outlook for the next two months is that prices may be expected to be maintained at about present levels unless there are evidences of about average or better than average yields in Argentina. No such great advance as occurred during the spring months of 1928 is to be expected this year, and any weakening which may occur in foreign demand is likely to be reflected in prices.

HOGS

The seasonal rise in hog prices which has been under way since mid-December continued into March. Average price of all grades at Chicago the first week in March was $11.28 as compared with $8.50 at the beginning of the rise, and $9.78 the first week in February. The rapidity of the advance has been marked in recent weeks and the market has become rather sensitive. Prices broke sharply on March 7 and 8, but practically all of the decline has since been recovered by March 11.

The seasonal movement of hogs to market this winter has been more nearly normal and was practically the reverse of the movement of last winter. A larger proportion of the winter run came to market early, and since late January supplies have been falling off. Inspected slaughter for the three months ending with January showed an increase of 1,939,000 head, or 14 per cent compared with the same months last winter. Because of heavier weights the increase in pork and lard from this slaughter amounted to about 16 per cent. February slaughter, however, is indicated to be about 20 per cent less than a year ago, which would be a decrease of more than a milli head for the month. March slaughter is likely to show an even larger decrease, relatively and actually.

With the exception of November, hog prices have averaged higher th winter than last. The higher level in December and January appears to ha been due in large part to an increased demand. Since January however, prices have been affected by the reduction in slaughter supplies as well a by the stronger demand. The demand situation is reflected in higher whole sale and retail prices for pork products, a larger export movement, heavy buying by packers for storage accumulation, and more recently a very activ demand from eastern packers.

The combined average wholesale price of pork and lard at Chicago was about 5 per cent higher in December and 9 per cent higher in January than in these months last winter. The February average showed an increase of 15 per cent but hog prices at the same time were up 26 per cent. Average retail prices in New York were 5 per cent higher in January and 8 per cent higher in February as compared with those same months in 1928, and at the beginning of this month they were almost 12 per cent above a year a

The improvement in the export situation is indicated by increased exports of both pork and lard. Exports of pork for the winter season to the end of January were considerably larger than in the same period last winter. Lard exports were the largest in five years. Reports from important European hog producing countries show reductions in marketings compared with a year ago.

Undoubtedly much of the strength in the market this winter has come from the demand for storage purposes. Storage operations in 1928 proved t be rather profitable. With the situation early in the winter indicating that the distribution of supplies would be the reverse of last winter, packers were willing buyers at the December and January price level, with a view to accumulating large stocks. Stocks of lard on that date were the largest on record for the season, being 44 per cent larger than the year previous. Stocks of pork were the third largest ever reported in March but were only 6.5 per cent larger than those of March, 1928. In view of the smaller supplies of hogs in prospect this month as compared with a yea ago it is hardly likely that stocks of pork at the beginning of April will be as large as on April 1 last year. Lard stocks, however, will be larger

The more recent advances in hog prices reflect the reduction in hog supplies to more nearly the quantities used for fresh pork, with resulting stronger demand from slaughterers outside of public markets. With a decrease of 19 per cent in receipts at 12 markets in February compared wit a year ago, eastern packers competed more actively for hogs on the Corn Be markets, and shipments fell off only 6.5 per cent.

Hog prices usually turn downward when the movement of fall pigs to market gets under way in volume. This usually begins early in April and the decline frequently continues until sometime in June. This year the rise in prices has been greater and more rapid than usual and prices are probably at about their seasonal peak and it is probable that prices will very sensitive until the seasonal decline gets under way.

CATTLE

The decline in cattle prices, which started in October, 1928, came to a temporary halt about the middle of February and during the latter half of the month some recovery was made. In the second week in March prices of good steers again declined but prices for medium grades have continued upward. At the low week in February choice beef steers at Chicago at $13.66 averaged about $4.30 below the high point of last fall, $2.60 below a year ago and 35 cents below the low week of 1928, which was in the latter part of May. Prices of good and medium grades were also below the level of a year ago, but prices of other kinds of slaughter cattle averaged about the same as during the similar week in February, 1928. This shows that the market for fed steers has been the weakest element in the cattle situation.

The receipts of cattle at seven leading markets in February were about 18 per cent smaller than in February, 1928, 21 per cent smaller than the five year February average, and the smallest for February in 14 years and the second smallest for all months since 1917. However, receipts of beef steers at Chicago were only four per cent smaller than in February, 1928 and the number of choice steers was 50 per cent larger. Whether the low point in prices for beef steers during the first half of 1929 was reached in February will depend somewhat on the supplies of cattle during the next few months. Present indications are that the supply of grain finished cattle will continue larger than last year until June but that the supply of other slaughter cattle will continue smaller. Unless the supply of fed cattle is materially larger than last year, it does not seem probable that prices on these kinds will go much below the low point already reached. However, no material advance from the levels early in March is likely during the next two or three months.

LAMBS

After the sharp rise in January lamb prices continued strong during February and were at the second highest level for the month since 1920. With wool and pelt values lower this year than last, and supplies of lambs slightly smaller the strength in the lamb market during January and February compared with the same months of 1928, has been in marked contrast to the weakness in the cattle market. Apparently much of this strength has been due to an increased consumer demand for lamb, a higher level of prices for the competing products, poultry and veal and a strong demand for feeder lambs. Inspected slaughter in January was about the same as in January, 1928 but receipts at seven leading markets during February were about 10 per cent smaller than in February last year. Supplies of fed lambs during March and April are likely to be larger than last year. As a result of unfavorable weather conditions during the lambing season, California's supplies of new crop early lambs during these months will probably be less than last year. With lamb prices at the present high levels there would seem to be little chance for any further considerable advance and any temporary over supply will probably result in a rather sharp temporary drop in prices.

WOOL

There was a decline in wool prices during February which affected most grades of wool at Boston and in foreign markets. Boston prices of fine wools, 64's, 70's, 80's, for the week ending March 9 averaged 44.5 cents grease basis, Ohio and Similar, and 107.5 cents scoured for fleece strictly combing, or 1.5 cents and 5 cents lower respectively than for the week ending January 28. Fine clothing wools averaged 37.5 cents grease, Ohio and Similar, and 97.5 cents scoured fleece or 1 cent and 3 cents lower. Strictly combing medium wools, 56's grade, averaged 54.5 cents grease, Ohio and Similar, and 100 cents scoured fleece for the week ending March 9, or 1.5 cents and 2.5 cents lower respectively than for the week ending January 28. Clothing wools, 56's grade, averaged 49.5 cents grease, Ohio and Similar, and 92.5 cents scoured fleece, making declines of 2 cents per pound for each basis. At the fourth wool sales at Wellington, New Zealand, held February 20, prices were four cents below the close of the January sales. The second series of the London sales opened March 6 with a general decline from the January levels, merino prices ranging from unchanged to five per cent lower and crossbred prices five to seven and one-half per cent lower. The Sydney sales opened March 7 with prices firm at the lower levels established in February. Compared with prices for the corresponding week last year Boston prices of fine wools, 64's, 70's, 80's, on March 9 for strictly combing were 5 cents lower grease basis, and 12 cents lower scoured; clothing lengths ½ cent lower grease and 3 cents lower scoured. Medium wools, 56's grade were higher than a year ago, strictly combing being 2.5 cents higher grease basis and 3.5 cents higher scoured; and clothing lengths 3.5 cents higher grease, and 8 cents higher scoured.

Wool production in the 18 countries which usually produce 80 per cent of the world's wool outside of Russia and China is estimated to be five per cent higher than in 1927-28. Stocks of wool at the seaboard markets in Australia and Argentina on January 31 were about 289 million pounds against 184 million a year ago, according to private sources. In Boston, however, members of the trade report the sale of some large lots of fine wools and a substantial reduction in stocks together with light receipts of domestic wools. Recently there appears to have been some contracting for the new clip.

For the first time since last June imports of combing and clothing wools have been above those for corresponding months last year. Imports during January were 21,566,000 pounds compared with 10,235,000 pounds in January 1928, and 21,375,000 pounds for the January average from 1924 to 1928.

Domestic consumption by reporting mills in January was above the December level, being 39,337,000 pounds, compared with 33,079,000 pounds for January 1928, and an average of 35,323,000 pounds for January 1924 to 1928.

The decline in prices in foreign primary markets appears to have been checked. With continued active business indicating a good consumer demand, the wool market is likely to become more steady.

COTTON

Following a slight recession in the latter half of January and the first week in February, cotton prices advanced and by the end of the second week in March had reached the highest level for the season to date. Middling spot cotton at the ten designated markets rose from 18.48 cents per pound on February 5 to 20.30 cents on March 9. The price received by producers on February 15 averaged 18.9 cents per pound compared with 17.9 cents on January 15 and 17.0 cents on February 15, 1928.

The apparent stocks of American cotton remaining in the United States on March 1 were 6.7 million bales compared with 7.5 million on March 1, 1928. On February 1 this apparent supply was 7.9 million bales compared with 8,7 million on February 1, 1928. Cables from the International Federation indicate that the foreign mill stocks of American cotton on January 31 were 1,190 thousand bales compared with 1,158 thousand on January 31,1928. Stocks of American cotton in European ports and afloat on February 1 were 2.21 million bales and on February 1, 1928 were 2.04 million bales according to the Commercial and Financial Chronicle. For February 1, 1929 these supplies total 11.3 million bales compared with 11.9 million bales for February 1, 1928.

Domestic consumption continued at a high rate during February, being 598 thousand bales compared with 668 thousand bales in January and 573 thousand bales in February, 1928. For the period August 1 through January 31 domestic consumption has totaled 3,451 thousand bales against 3,627 thousand for the corresponding period last year and 3,429 thousand the year before last. The International Federation reports the world consumption of American cotton for the period August 1 through January 31 at 7,613 thousand bales this year compared with 8,226 thousand a year ago and 7,423 thousand two years ago, Consumption, therefore, has been below the rate which prevailed during the first half of last season, but above that for the first half of the 1926-27 season. In view of the reduced consumption last summer this situation was to be anticipated.

For the first month since August, exports have been below those for a corresponding month last season, being 613 thousand bales for February, 789 thousand for January and 626 thousand for February, 1928. For the season to date exports have been 1.1 million bales above those of a year ago.

Domestic production of cotton textile goods proceeded at a rate of 73 million yards per week during February compared with 69 million per week during January and stocks decreased from 389 million yards at the end of January to 373 million at the end of February, while unfilled orders rose from 441 million yards to 472 million yards, according to a report of the Association of Cotton Textile Merchants. Reports from Agricultural Commissioner Steere at Berlin indicate some slowness in sales of cotton goods in Continental Europe.

BUTTER

The price of 92 score butter at New York City the past month fluctu[ated] much less than usual for February. From a level of 50 cents per pound [at] the beginning of the month it declined to 49½ cents by the 18th, and recov[ered] to 50 cents on the 25th. Except for a brief rise, the price of 50 cents h[as] been maintained through March 9.

The unusually severe weather in the principal producing sections pre[vented] the favorable feeding ratio from causing increased production as an[ticipated] earlier in the season and helped to maintain prices at a high le[vel]. The average price for the month was 49.9 cents, compared with 46.6 cents f[or] February, 1928 and 47 cents for the five-year average. The average prices received by producers for butter on the 15th of the month was 45.2 cents, compared with 43.9 cents in February, 1928 and 42.4 cents for the five-yea[r] average. The average price received by producers for butterfat on the 15th of the month was 47.8 cents compared with 46.0 for February, 1928 and 44.5 cents for the five-year average.

Receipts at the four principal markets were 46,646,000 pounds compa[red] with 46,363,000 pounds for February, 1928. Cold storage holdings declined 12,839,000 pounds during the month, leaving 11,911,000 pounds in storage on March 1, 1929 compared with 14,404,000 pounds on March 1, 1928 and a 5 [year] average of 17,461,000 pounds on March 1.

The margin between feed prices and the price of butter is somewhat [less] favorable than earlier in the season, but is still sufficiently favorable [to] lead to heavy feeding.

The season during which butter is normally imported has now nearly passed without any considerable foreign supplies having been received, but [the] margin between domestic and outside prices has widened and offers of forei[gn] butter are at lower prices than in recent months or a year ago. There is little interest in these offers, however, according to official reports fr[om] New York. Continued firmness in the markets of the principal foreign defi[cit] areas now appears to be assured at least until supplies are affected by the opening of the new spring season. Shipments afloat from countries of the Southern Hemisphere principally to Great Britain amounted on March 2 to 43 million pounds or practically the same as a year ago when our importation [for] the season had practically ended. The price margin in favor of New York o[ver] the price of Danish butter in London was 9.37 cents on March 7 and 12.8 ce[nts] over the price of New Zealand butter in the same market.

A marked downward tendency in butter prices is always apparent by M[ay] but during March and April there is no clearly defined seasonal movement. Present indications are that production during the remainder of the year i[s] likely to run above last year. Some decline in prices during March appear[s] probable, but the average for the month will probably be above that of las[t] year. Prices in April may be expected to average below those of March.

POTATOES

The farm price of potatoes, after reaching the unusual low price of 56.9 cents in November advanced only slightly to 59.5 cents on February 15, which compares with 58.9 on January 15 and 96.2 last year. This advance of about five per cent for the country as a whole represents greater advances in the South Central and South Atlantic States which were partly offset by continued declines in the North Atlantic States. Since February 15 prices have weakened somewhat, apparently as a result of an increased movement from the northern and western potato districts.

So far this season the shipments of potatoes have totaled somewhat less than for the same period in recent years of crops of over 400 million bushels. Total shipments from August through February amounted to 137,000 cars this season, compared with 159,000 in 1927, and 147,000 in 1924, 150,000 in 1923 and 142,000 in 1922.

This year a larger than usual percentage of the crop is still being held on farms, the percentage on March 1, 1929 being 31, compared with 31 in 1925 and 21, 24, and 26 in the intervening years. A strengthening factor in the prospective situation may be the reduced supplies of the early crop but it is unlikely in view of the large supplies of old potatoes that such advances as took place during April of 1923 and 1924 will take place this season.