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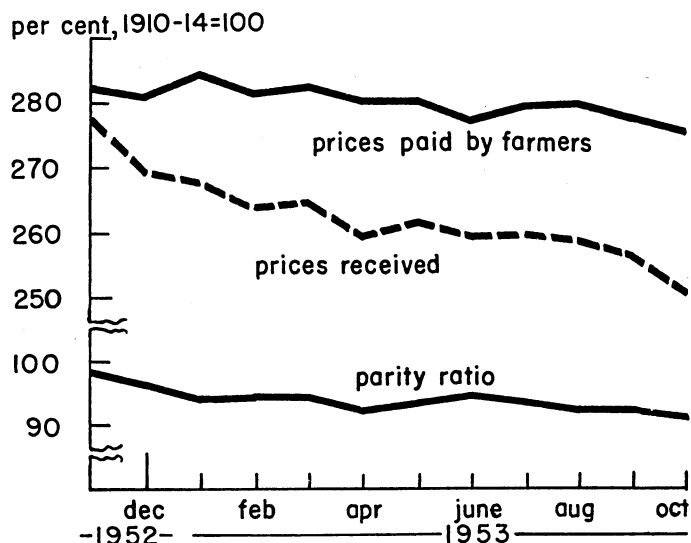
Agricultural Letter



Number 221

PRICES RECEIVED BY FARMERS declined another 2 per cent in the month ending October 15, bringing the index to a point 11 per cent below its year-ago level. Lower prices for hogs and cattle, coupled with a seasonal decline in corn prices, were only partially offset by increases in prices of milk, eggs, and wheat. The all-commodity index as of October 15 was 250 per cent of its 1910-14 average, compared with 256 in September and 282 in October 1952.

With farm product prices declining faster than prices paid by farmers for commodities and services, the parity ratio declined one point to 91 in mid-October. This was the lowest ratio recorded since May 1941. The following chart shows the movement of these indexes over the past twelve months.



The national economy apparently slipped a bit more in September, according to preliminary figures just released. The following table shows three important economic indexes, seasonally adjusted, for the months of July, August, and September.

July August September
(1947-49 = 100)

Output of major consumer durable goods	144.0	138.0	130.0
Nonagricultural employment	113.3	112.8	112.4
Personal income	143.3	143.1	142.6

An increasing number of people are coming to believe that the very slight weakening in domestic demand is already having some effect on buyers' expectations and hence on prices of farm products.

REORGANIZATION of the U.S. Department of Agriculture was put into effect this week. The bulk of the plan divides the Department into four major service divisions which incorporate the 22 smaller separate units that previously did the same work.

Most of the reorganization was a reshuffling, except for changes in the Soil Conservation Service.

Under the new plan the regional offices of SCS will be liquidated. Most of the opposition to reorganization has focused on this change, with the result that some Congressmen of both parties had strongly urged Secretary Benson to hold the plan until Congress reconvenes in January. However, the Secretary chose to go ahead with the "full knowledge and approval" of President Eisenhower.

In defending the reorganization, Mr. Benson said he had assured Congressmen that rumors concerning the destruction of the soil conservation program were completely unfounded. He said that the Department has never planned to turn over any functions of SCS to the Extension Service, nor has it ever planned to contract with land-grant colleges for technical assistance to soil conservation districts. Mr. Benson said that most technicians in regional offices would go to other state and Federal conservation units, but he did not estimate how many would be dismissed.

The Bureau of Agricultural Economics will be split between two of the four new divisions in the reorganized USDA. In the past, BAE has provided basic data and analyses used extensively by agricultural economists in colleges and businesses over the entire nation. Most of this activity is scheduled to continue. But as an independent agency, BAE built up a wide reputation for competence and integrity, and this good will is likely to be lost if the agency is split, renamed, and submerged in the new divisions of USDA. Agricultural economics as a science and profession could feel the loss.

THE SMALL BUSINESS ADMINISTRATION is undergoing a policy reorientation. The agency's chief was ousted last week when Congressmen objected to his reluctance to lend money, and it was suggested that lending to farm equipment dealers be encouraged. Previously, SBA had been lending only to small manufacturers, and there is some question as to the agency's legal authority to loan to retailers. If these difficulties are overcome, there is little reason to suppose that retail loans will be restricted to farm equipment dealers. Appliance dealers and even grocery stores could claim that a precedent had been set for them.

L. John Kutish -- Agricultural Economist