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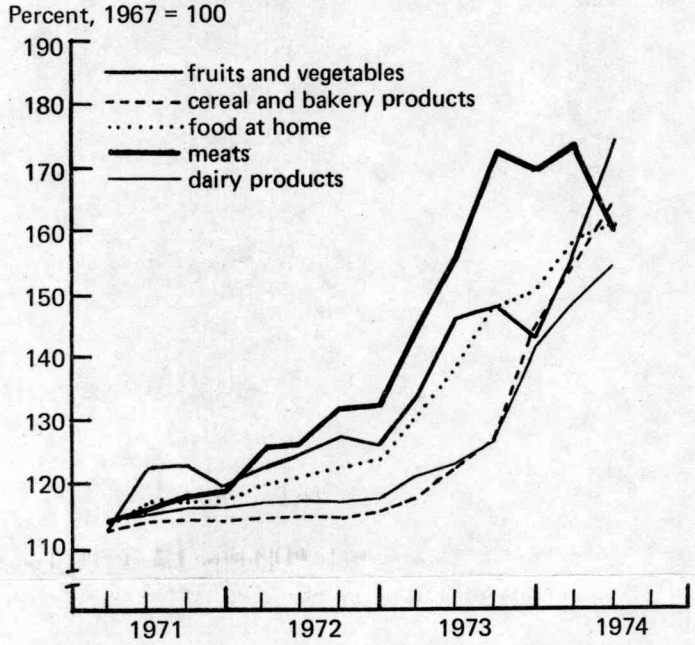
RETAIL FOOD PRICES will be subject to sharp upward pressures for several months as a result of this year's weather-plagued crop production. Most of the near-term pressures will reflect higher prices for crop-related foods, but during the first half of next year comparatively short livestock supplies will likely be the dominating influence on food prices. The U.S. Department of Agriculture's latest evaluation of grocery store food prices suggests a gain of 3 percent during the third quarter followed by a somewhat smaller increase in the fourth quarter. For all of 1974, food prices are now expected to average 15 percent above year-earlier levels, up from earlier expectations of a 12 percent rise and just short of the 16 percent gain registered in 1973.

Food prices rise despite declines for meat



Changes in the overall index of retail food prices are difficult to predict in terms of timing and magnitude partly because of the uncertainties of the future and partly because of counterbalancing trends among individual types of food. Caution is particularly relevant in the current situation. Nevertheless, there are a number of developing trends that in all likelihood will result in further advances in food prices.

Pork supplies will be rising seasonally during the remainder of this year, suggesting that retail pork prices may have already reached their seasonal peak. The large year-to-year increases in supplies experienced in the past few months, however, will be narrowing rapidly in the months ahead and likely will fall below year-earlier levels in early 1975. High feed prices have boosted sow slaughter well above year-earlier levels—up nearly one-half in August—indicating the June-November pig crop will decline more than previously expected. Many observers now feel that pork supplies during the first half of next year may be down as much as 10 percent from the same period in 1974.

Beef supplies will be generally adequate in the months ahead but supplies of "choice" grade beef will be declining due to the curtailment of feedlot activity. The increase in supplies will reflect a proportionately large rise in marketings of cattle directly from pasture or cattle fed for only brief periods in feedlots. It is widely believed that tight feed and roughage supplies will cause the marketings of nonfed and short-fed cattle to continue well into 1975—a situation that is likely to limit the normal early-year rise in retail beef prices.

Dairy product prices will likely register significant increases this fall and winter because prospects for increased production have been curbed by high feed prices. The U.S. Department of Agriculture currently estimates milk production in 1974 will fall 2 percent from a year ago, hitting the lowest level since 1948. In the near term, consumer resistance may slow the retail price advance but with tight meat supplies advances could be appreciable in 1975.

Poultry supplies will tighten substantially during the remainder of this year and are likely to remain in short supply well into 1975. Hatchery activity for both broilers and turkeys has dropped significantly below year-earlier levels since May with demand for chicks and turkey poults curbed by soaring feed prices.

Fruit and vegetable prices will continue to rise overall although pressures on some individual items may ease. Prices of fresh fruits and vegetables will be subject to somewhat lower supplies. Prices of processed fruits and vegetables will increase significantly in the months ahead due to the sharply higher costs of raw products and other materials.

Cereals and bakery product prices will continue strong for the next several months and likely register additional gains. The upward pressures will reflect both higher costs of raw materials and higher costs for processing and distribution.

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