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Prices received for farm products in 1951 probably will average about 10 per cent higher than in 1950; volume of products marketed will increase moderately, probably no more than five per cent; and the net income of farm operators may exceed the 1950 level by about 15 per cent. This was the view expressed by BAE economists at the 28th Annual Agricultural Outlook Conference held at Washington, D. C., this week.

This outlook for agriculture reflects an expected increased demand for farm products as a result of rising employment, prices, and incomes in other sectors of the economy. The business boom in the making before war broke out in Korea is now being augmented by a step-up in defense expenditures. These promise to continue at a high level for a period of years, reaching an annual rate of around 30 billion dollars by mid-1951 and possibly 40 billion dollars at the end of the year.

Even with higher taxes, it was estimated by Government analysts that total demand for goods and services will exceed total supply, with the result that prices generally will move upward in the year ahead.

Discussing "agriculture's role in our defense effort," Secretary Brannan stated that "agriculture's present challenge is a call for abundant production...." We must produce enough to supply the civilian population, to carry adequate strategic reserves, to meet the needs of growing military forces, and to back up the nation's foreign policy. "A continuing abundance of food for civilians is a powerful weapon against inflation—and our best means of staving off as long as possible the necessity of price controls and rationing."

He indicated that acreage and marketing restrictions on commodities in strong demand would be eliminated and that the Department of Agriculture would attempt to provide over-all guidance to farmers, rather than establish specific crop goals for individual farms. Relative prices among farm products were emphasized as being important in getting the needed adjustments in production. In this connection, the Secretary said that price supports should be provided for the commodities most needed, such as meat, milk, and eggs rather than be limited to the so-called basic commodities, but he was critical of present methods of providing support.

While the general tone of the discussions favored further inflation both in agriculture and other parts of the economy, two speakers urged farm leaders to be on guard against assumptions that the great changes which have taken place in both domestic and foreign markets in recent months are evidence that postwar adjustments have been made and that agriculture faces a new era. Rather, it was suggested, the present situation and prospective developments should be analyzed on the assumption that World War II is still with us and that substantial adjustments will be necessary if and when a basis for real world peace is worked out.

A USDA analyst ventured the guess that after a few years, even under a continuing period of high defense expenditures, some downward readjustment in farm prices and incomes would occur. A Federal Reserve System official, discussing "The Business Outlook," held a somewhat different view—that the underlying forces at work are inflationary and that farm product prices would not continue downward for long in an economy where the purchasing power of the dollar was declining. The difference of view hinged largely on the question as to whether the expanding productive capacity of the American economy would soon satisfy all urgent demands for goods and services with supplies exerting a downward pressure on prices.

NOTE: A more adequate report on the Agricultural Outlook for 1951 will be presented in an early issue of Business Conditions.

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