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Federal Reserve Bank of Chicago --

February 14, 1958

ANOTHER COMMITTEE REPORT on farm policy was released this week. Following a seven-month study, which included the taking of testimony from a large number of "experts," the Agricultural Policy Subcommittee of the Joint Economic Committee has concluded that "agriculture will continue to face serious difficulties" unless and until the demand for farm products is "increased substantially."

The old stand-bys—new industrial uses, new crops to tap new markets, expansion of commercial markets abroad and improved domestic marketing—are cited as holding promise of enlarging outlets, if pursued with additional vigor.

One member of the Subcommittee did not subscribe to the majority findings. Objecting to the diagnosis that the commercial farm problem stems from "deficiencies in demand," the senator asserted that "This places the cart before the horse." He would place greater emphasis on resource adjustment and would rely somewhat more heavily on market prices to guide farmers in making such adjustments than would the majority of the Subcommittee.

The report endorses the shift of labor resources from farm to nonfarm work, but concludes that this by itself will not "close the gap between commercial farm and nonfarm incomes in the near future."

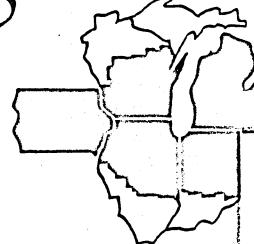
Major emphasis is placed on more effective production control as a means of increasing farm income. Mentioned in this connection are "restrictions of quantities sold rather than acreage, and negotiability (the right of individual farmers to sell) of quotas." Selling abroad at prices below the domestic level and subsidized consumption of low income families are also viewed favorably in the report.

Finally, the Subcommittee concluded that the problem is so complex and changes so rapidly that Congress could not be expected to provide detailed remedial programs, and recommended that "Careful consideration should be given to creating a board or commission to perform this function, subject, of course, to major policy determination by the Congress."

AMIDST HIGH AND RISING PRICES FOR MEAT ANIMALS, turkeys have remained on the bargain counter. Average farm price, alive, at mid-January was 22.6 cents per pound. This was 18 per cent below the January 1957 price.

By way of contrast, hogs at mid-January averaged 7 per cent above their year-earlier price and beef cattle were up a whopping 32 per cent. Even broilers had moved up from a depressed December level and were 10 per cent above their January 1957 figure.

Agricultural Letter



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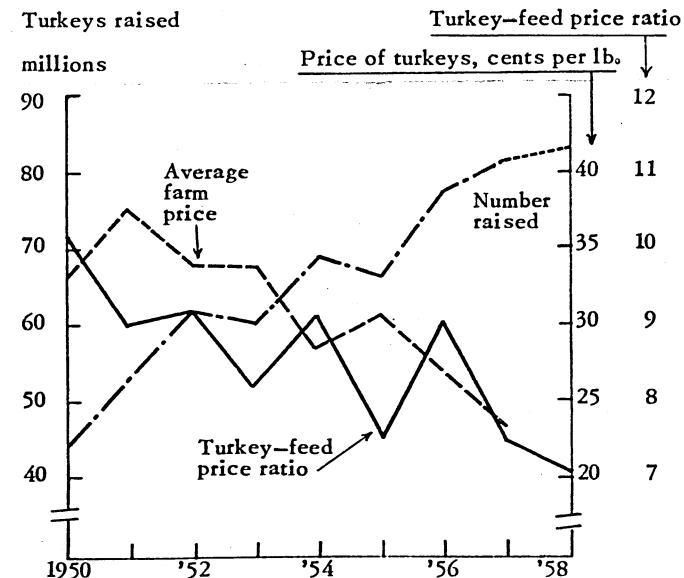
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Key item in the turkey picture, of course, is the 5 per cent increase in number grown in 1957. The record output depressed prices during the past "holiday season" and up to the present time for the larger birds. The lighter weights have been quoted recently at prices about equal to year ago.

The 1958 turkey crop, according to a USDA survey of growers' intentions, will be about equal to 1957 for the country as a whole. District states plan increases, however, except Michigan: Iowa and Wisconsin, +10 per cent; Indiana and Illinois, +5 per cent; and Michigan, -8 per cent.

Large flocks account for most of the turkeys produced in recent years. In 1954, 85 per cent of all turkeys were grown in flocks of 1,600 or more.

The average size of flock has increased from 72 in 1939 to 141 in 1944, 225 in 1949 and 370 in 1954. The trend probably has continued since then.

Output of turkeys has risen in recent years even though prices have followed a generally downward trend. Even the decline in turkey price, relative to feed price, has not halted the expansion in output. Producers apparently have improved their efficiency at a rapid pace.



Research Department