

Food Prices Move Down

Bountiful farm output this year has helped check a rise in average consumer and wholesale prices. Consumer incomes rose after mid-1958 and their demand held at high levels. With large shipments from farms weakening prices for foods, both the wholesale and consumer price indexes for food have moved down sharply this year from their early 1958 peaks.

In February the consumer index for all items actually declined from the preceding month, as lower prices for food more than offset higher prices for nonfood items, services, and rents. By early summer, however, food prices rose again, as eggs recovered from a slump and other foods experienced seasonal gains in price. The rise in food prices reinforced the upward movements in many other prices.

Food prices, however, sank again in late 1959. By reason of the record harvest from farms this fall, total farm output in 1959 slightly exceeded the previous record made in 1958. Also, farmers had expanded their hog and beef herds earlier and were shipping more animals to markets in late 1959. With large farm marketings having a depressing effect on food prices, strong downward pressure on the food indexes in late 1959 was virtually fore-ordained. Furthermore, food carries a sizable weight in both the retail and wholesale indexes which magnifies the impact from large harvests.

All told, strong farm activity brought a substantial drop in the wholesale index for food between January and November 1959 and a modest decline in the index for all commodities. Indexes for both farm products and processed foods moved lower. Wholesale prices for farm products, for example, declined from an index of 91.5 in January 1959 to 86.0 in October. Lower prices for eggs, broiler meat, and pork contributed heavily to the decline. Prices for fruits and vegetables were unchanged. Prices for milk exerted upward pressure.

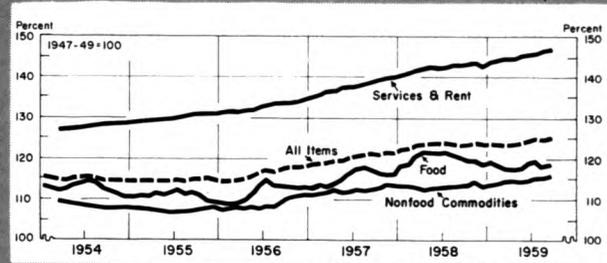
The index for processed food items declined principally because meats and poultry became more plentiful. Similarly, canned and frozen fruits and vegetables were in large supply and prices moved lower. Prices increased for cereal products, dairy products, and other items requiring much handling and processing.

Lower food prices at the wholesale level were reflected in the consumer price index for foods. That index moved down less sharply over the year, however, because the cost of many services, included in retail food prices, did not decline correspondingly.

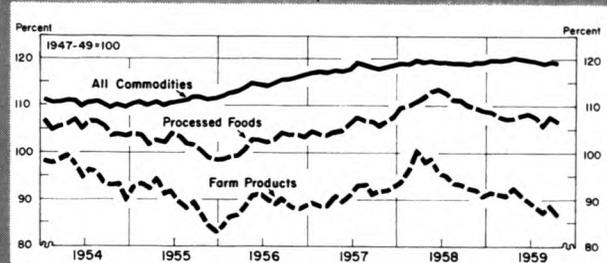
From all indications farmers, having built their herds to record size, are in a position to sell many more animals than they did in the recent past. Egg production is expected to hold near that in 1959 and prices, therefore, may not strengthen appreciably over the winter. Cereal grains are in heavy supply, and although prices may rise somewhat in the winter season, the downtrend probably will not be overcome. Citrus fruit is also plentiful, and prices for it probably will not match those last winter. Vegetables and broilers by last count will be less plentiful this winter. On balance a further softening in food prices seems possible.

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Upward movements in the nation's retail price indexes for services and rents and nonfood commodities since mid-1958 have been partly offset by declines in food prices.



Relative stability in the wholesale price index for all commodities resulted from declines in prices for processed foods and farm products that offset higher prices for non-food items. Processed foods and farm products account for about a fourth of the national wholesale price index.



Although prices of most types of farm products have declined this year, prices of some processed foods have risen.

ITEM	Wgt. in Index Percent	Percent Change Jan.-Oct. 1959	ITEM	Wgt. in Index Percent	Percent Change Jan.-Oct. 1959
FARM PRODUCTS	10.84		PROCESSED FOODS	13.75	
Eggs	47	■	Dairy Products, Ice Cream	2.82	■
Fresh, Dried Produce	97	■	Cereal, Bakery Products	2.72	■
Grains	1.69	■	Sugar, Confectionary	1.36	■
Fluid Milk	1.46	■	Other Processed Foods	.59	■
Other Farm Products	1.20	■	Meats, Poultry, Fish	3.58	■
Plant, Animal Fibers	1.23	■	Canned, Frozen Fruits, Veggies	.99	■
Hay, Hayseeds, Oil Seeds	.68	■	Packaged Beverages	.79	■
Livestock, Poultry	3.13	■			

Declining trends in some types of foods such as coffee, hogs, wheat, and eggs have brought prices well below those of 1957.

