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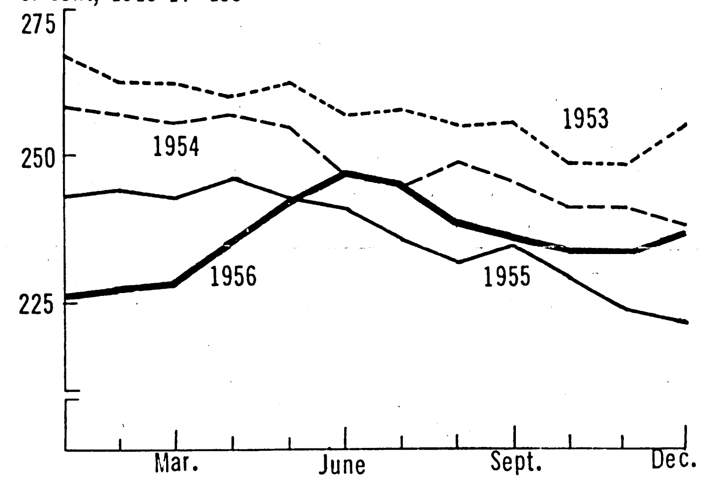
FARM PRICES ended the year on a strong note. Prices in mid-December showed a gain of 1 per cent from mid-November and averaged about 7 per cent above the year-ago level. For the entire year prices averaged the same as in 1955.

PRICES RECEIVED BY U.S. FARMERS
Per cent, 1910-14=100



Prices in December were higher than a year ago for hogs, cattle, feed grains, soybeans, milk and wheat—all important Midwest commodities—as were prices of most vegetables and fruits. Cotton, poultry and eggs were among major commodities failing to register gains.

	Prices received by farmers mid-December, 1956	Per cent change from year ago
Corn, bu.	$ 1.22	+6
Oats, bu.	.74	+19
Wheat, bu.	2.07	+6
Soybeans, bu.	2.27	+8
Hogs, cwt.	16.20	+53
Beef cattle, cwt. . .	14.10	+4
Milk, cwt.	4.55	+4
Chickens, lb.	.16	-16
Eggs, doz.	.37	-21

As is usually the case, a wide variety of forces account for the increases. For example, large price gains for hogs compared with a year ago reflect reduced marketings. Higher prices for wheat reflect primarily a change in CCC export policy. Since September substantial quantities of wheat for export have come out of "free market" supplies instead of directly from Government stocks. The effect has been to tighten "free supplies" (those not owned or under loan to CCC) and push prices enough above supports to cause wheat to flow out of Government storage. Reduced supplies of top-quality cattle and of competing meats are important in the higher level of cattle prices. Feed grain prices are influenced by higher supports and a "floor price" of $1.25 to corn growers who planted more than their allotments. Higher consumption, largely induced by the School Lunch Program, affects milk prices while slower marketings of soybeans and strong export demand are important in holding bean prices above year ago despite a crop that is over a fifth larger.

Accompanying the strengthening of farm prices during the past year has been a continued uptrend in the index of prices paid by farmers for items used in production and home consumption. In mid-December the index was 4 per cent above a year ago. Thus, farm prices averaged 82 per cent of "parity" in December compared with 80 per cent a year ago when the "cost-price squeeze" was the tightest since before World War II.

Most observers expect farm prices in the year ahead to average higher than in 1956. Some reduction in accumulated stocks due to expanded exports and production cutbacks resulting from the soil bank are the major factors expected to maintain firm prices. However, the index of prices paid by farmers is also likely to advance. As a result, no important changes in the average cost-price relationship are in prospect.

FARM EXPORTS in 1956, according to preliminary estimates by the USDA, rose 30 per cent above 1955 and surpassed the 1951 record postwar volume. Exports of farm commodities are now 60 per cent above the post-Korean low reached in 1953.

Important factors in the gain are special export programs, particularly sales for foreign currencies and at "cut-rate prices," prosperity abroad and, recently, war tensions that have encouraged buying and stockpiling. About 40 per cent of all farm exports are shipped abroad under special Government programs. For products in chronic surplus, such as wheat, corn, butter and cheese, the portion of exports moved under special programs is over 70 per cent. In addition, exports of some commodities, wheat, cotton and corn, for example, are subsidized or sold at cut-rate prices.

Further export gains are expected to occur into 1957. Shipments under special Government programs are expected to rise further, and continued prosperity abroad may boost commercial demand. Moreover, it is likely that Congress may broaden programs for surplus disposal abroad. Trade with countries behind the Iron Curtain looms as one possibility. And since virtually all of the 3 billion dollars of farm surpluses authorized for sale for foreign currencies have been obligated, additional funds probably will be authorized for that program.

Research Department