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Farm product prices eased off slightly during the month ended March 15 as a result of moderate declines in food grains, dairy products, and hogs, together with rather sharp seasonal declines for numerous truck crops. Price increases occurred for poultry and eggs, meat animals (except hogs), wool, and cotton.

During the same period, farm costs (the parity index) increased about one and one-half per cent to a new record level, reflecting higher average prices paid by farmers for food, clothing, motor vehicles, feeder livestock, and feeds. These changes in average prices received and paid by farmers resulted in a decline in the parity ratio from 113 a month ago to 111 on March 15.

Favorable news from the Korean front and the recent easing of inflationary pressures appear to have caused a general relaxation throughout the economy in recent weeks. This has caused some Government officials to express concern about maintaining vigorous support for the current defense program and the numerous measures incidental to its rapid development. It is bluntly predicted from some quarters that price stabilization measures will be discontinued by mid-year. Other Washington observers indicate, however, that current difficulties will be reconciled and that much tighter controls, possibly involving some rollback of meat prices, are in the making.

Labor spokesmen insist there is no effective control of food prices at the present time and suggest that the whole problem should be happily solved by an extensive use of food subsidies to "permit effective controls over retail prices and at the same time assure fair returns to farmers". Numerous Government officials are reported to share this view. Farm leadership, however, is generally opposed to the use of subsidies or abandonment of parity; this view can be expected to find extensive backing in Congress. As reported in previous Letters and in the Bank's April issue of BUSINESS CONDITIONS, the recent easing of inflationary pressures appears to be temporary. This period might well be utilized to get inflation control machinery repaired, oiled, and ready for intensive service if the defense program is to be kept rolling in the year ahead.

Secretary Brannan reshuffled top administrators in the USDA during the past week, apparently in an effort to obtain a more cohesive and responsive administrative team. Major changes included the transfer of PMA Administrator Ralph S. Trigg and Deputy Administrator Frank K. Woolley to positions as special assistants to the Secretary with Gus F. Geissler, former Manager of the Federal Crop Insurance Corporation, being appointed to the top PMA post. The changes are indicated to strengthen Brannan's hand in his struggle to overcome the recently growing criticism that the USDA has not acted with sufficient vigor on farmers' production problems.

Corn and soybeans will compete more vigorously than usual for acreage on Seventh District farms this year. Current price relationships lead some farm managers to recommend that farmers plant more corn and less soybeans than in 1950. This view is supported also by the outlook for supplies of feed grains and vegetable oils.

Many Seventh District farmers still hold large inventories of 1950 corn. A recent Iowa State College report suggests that in cases where moisture is the grading factor it will pay to hold high moisture corn for later sale.

CCC loans and inventories acquired through farm price supports were $2.6 billion at the end of February, compared with $4.0 billion a year earlier.

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