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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

January 31, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Farm Prices in January

The Department of Agriculture announced today that "prices received by farmers" fell 1.5 percent in January, the third consecutive monthly decline. January's farm prices were down 12 percent from a year earlier. The supply situation has not really improved since last fall, so sagging farm prices apparently are being caused by weakening demand, especially from the domestic side.

It now appears that the upward pressures on food prices in the first half of 1975 will be much less than had been anticipated until a few weeks ago. The Department of Agriculture's latest public forecast (in December) was that food prices would advance at a 15 percent annual rate in the first half. This now seems too high, at least for the first few months of 1975. If so, the inflation outlook will be somewhat better too. The declining farm prices, predictably, are generating pressures for the Government to raise price supports.

Gary L. Seever
Gary L. Seever
Member

Alan Greenspan
Chairman

