The report of the Council, page 74, states:

> Prices on most farm products and of many industrial raw materials move more or less freely in both directions. The same is true, though to a lesser degree, of many products at early stages of fabrication, but it is unlikely that past price increases in most other parts of the economy will be reversed as long as the economy remains strong. Moreover, price advances for such items as metals and industrial equipment tend to fan out and become built into the structure of industrial costs. And even temporary increases in farm and food prices, through their impact on consumer prices, materially affect the pattern of wage negotiations. The resulting higher wage settlements also tend to be permanently built into the cost structure.
>
> Consequently, the return to price stability can only be gradual. However, as 1966 grew to a close, there were signs of progress. Prices of farm products and some raw materials had leveled off. Thanks to the enormous strength and adaptability of the economy and skill and ingenuity of workers and management, many of the industrial pressure points have been alleviated.

The statement that prices of farm products and some materials had leveled off, when in fact they had declined by some 11 percent, was used as the basis of deciding there were signs of progress, makes the farm sector raise a question about the intent of the fiscal policy of the Government. The implied or stated approval of the desirability of reducing farm prices is before us again on page 87:

> The rise in farm prices was due to the strong expansion of domestic and export demand, combined with only slightly increased or in some cases reduced supplies of important farm commodoties . . . To be sure, for some highly-labor intensive products—particularly dairy products and some fruits and vegetables—rising prices may be necessary to attract or hold the necessary labor services. But this is the exception rather than the rule.

We are reminded that there was "corrective action" taken at the highest levels to reduce farm prices during the early part of 1966. Every newspaper, when it made its monthly report of the economic indexes, pointed out that farm prices were rising again, disregarding the fact that they had remained constant for 4 straight years while the rest of the economy was on the rise.

> Another area which received increasing attention during 1966 was that of Government procurement. Intensive efforts were made to phase procurement and adjust specifications for both military and civilian purchases so as to minimize the impact on productive facilities and product markets. Arrangements were worked out to this end for the closest possible cooperation and consultation between the Department of Defense and the Departments of Commerce and Agriculture.

Let me quote again for the council report on page 89:

> Changes in food prices at subsequent levels of processing and distribution generally follow changes in the costs of raw farm products. These costs, however, account for only 40 percent of the price of delivered food with the remainder reflecting costs of transportation, processing, distribution, and marketing. Over a time, these latter costs have risen steadily reflecting, in part, increases in labor costs, in part, higher quality and better packaging. As a result, even when farm prices are stable, food prices, especially at retail, tend to rise.
>
> Following the decline in farm prices, processed food prices ended the year only slightly above the levels of December 1965. But retail prices remained 3.8 percent above the level a year earlier. The spread between farm and retail food prices narrowed during 1965, but then widened late in 1966. On the average, there is little evidence of an increase in processing and distribution margins. In the months ahead there may be some further decline in retail prices, but the rising trend in intermediate costs suggests that a full reversal cannot be expected.