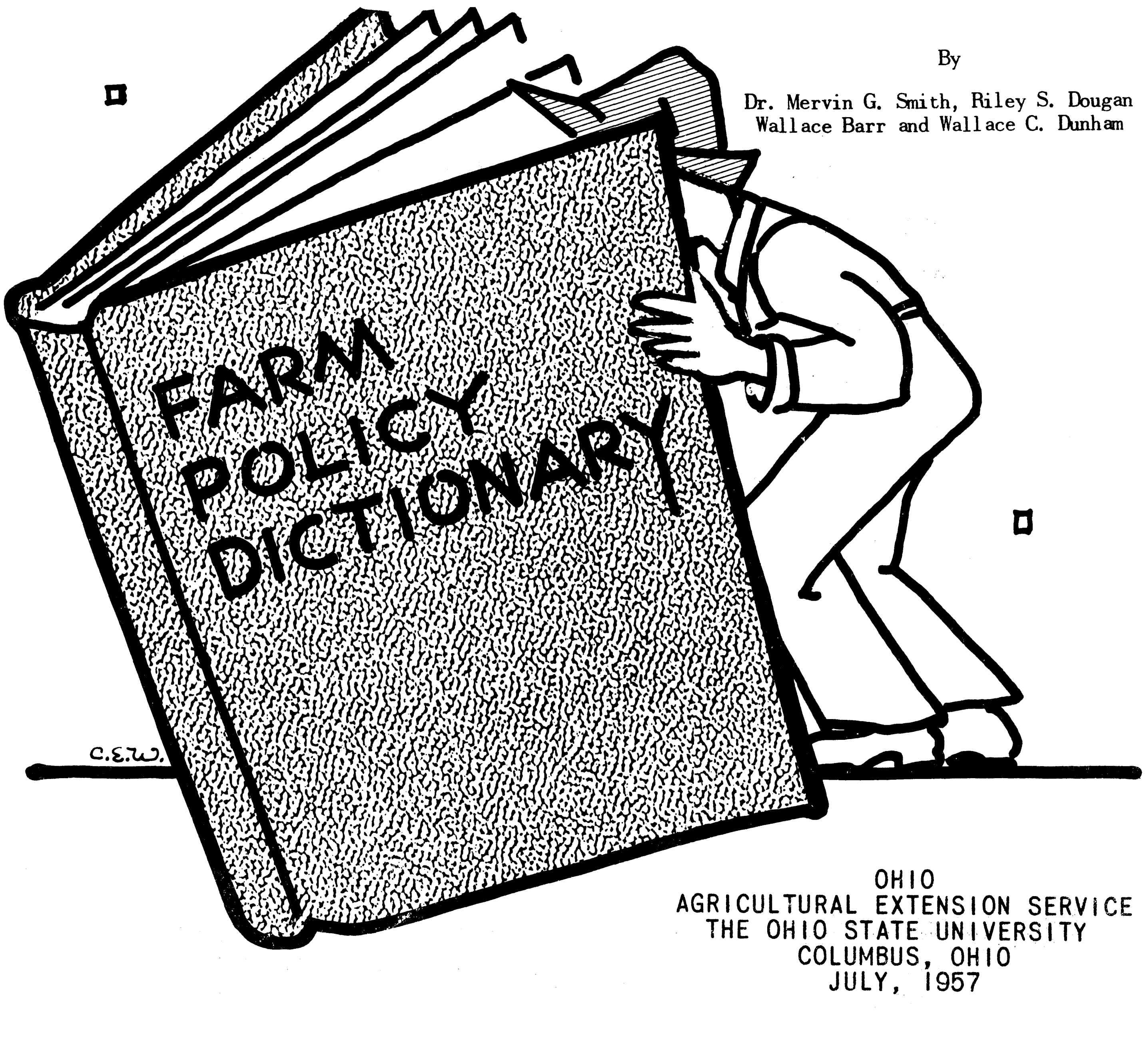
Department of Agricultural Economics
and Rural Sociology

Mimeograph Bulletin
No. AE 276

LET'S AGREE ON TERMS USED IN MAKING AGRICULTURAL POLICY



By

Dr. Mervin G. Smith, Riley S. Dougan
Wallace Barr and Wallace C. Dunham

OHIO
AGRICULTURAL EXTENSION SERVICE
THE OHIO STATE UNIVERSITY
COLUMBUS, OHIO
JULY, 1957

Preface

Many questions have been asked concerning terms used in agricultural policy. This revised edition is presented because of this interest and concern. It is an attempt to clarify the more commonly used terms. The terms are presented as briefly as possible in an effort to provide a working knowledge of them without going into any of the burdensome detail. There is no intention to determine what is right or wrong, good or bad. Rather the emphasis is on "definition."

857/3500 Revised

The Ohio State University cooperating with the U. S. Department of Agriculture
Agricultural Extension Service, W. B. Wood, Director, Columbus, Ohio
Distributed in furtherance of Acts of May 8 and June 30, 1914

Index of Prices Received by Farmers (All Commodities)

This combines into one figure a measure of change in prices of the major agricultural commodities from a base period. The base period most commonly used is the 60 month period from January 1910 to December, 1914. Prices of 49 commodities, weighted on the basis of their relative importance in terms of cash income, are included in the computation. In April 1957, the index number was 241. This means that average prices received for all commodities was 241% of 1910-14 average. Another way of expressing the difference is that average prices received for all commodities increased 141% since 1910-14.

Index of Prices Paid by Farmers (All Commodities)

This combines into one figure a measure of change in the costs of commodities and services bought by farmers for living and production purposes. The base period most commonly used is 1910-14, the same as the period used in figuring index of prices received.

The index is computed from the prices of 344 commodities and services weighted as to their relative importance and classified as follows: (1) commodities used in family living representing 44% of the total; (2) commodities used in farm production represents 41%; (3) interest is 3% of the total; (4) taxes on real estate amounts to about 4% and (5) the remaining 8% is allocated to wage rates for labor. These percentages represent the relative importance of these items in 1937-41. In April 1957, the index number was 296. This means that prices paid for living and production was 296% of 1910-14 average. Another way of expressing the difference is that average prices paid for all commodities increased by 196% since 1910-14.

Parity Ratio (All Commodities)

Parity ratio is determined by dividing the prices received index by the index of prices paid. When the ratio is over 100 prices received by farmers is more favorable compared to the prices paid than in the base period. The opposite is the case when the parity ratio is less than 100. In April 1957, 241 divided by 296 gave a parity ratio of 81.

Parity Ratio (Individual Commodities)

Parity prices are the dollars and cents prices that give a certain quantity of farm commodities the same buying or purchasing power that this same quantity had in a selected base period. The most common base period used has been the period, 1910-14.

From 1933 to 1950, parity prices were computed in only one way. "Base period price" for each commodity was multiplied each month by the most recent index of prices paid by farmers. These prices are known as old parity prices. For example, if wheat sold for $.90 per bushel in 1910-14 and prices paid in the most recent month averaged 296, the parity price for wheat would be $2.66 (296 X .90).

The Agricultural Acts of 1948 and 1949 provided for amendments to modernize parity, mostly for individual commodities. It did not change the method of figuring the combined parity ratio. The modernized or new parity established an adjusted base period price of the most recent 10 year period for an individual commodity and added farm wage rates paid labor to the index of prices paid.

Under the modernized formula the 1910-14 base period is still used; but this price is adjusted by the relationship of the individual commodity price to all farm prices in the last ten years.

In order to prevent any sharp drop in parity prices resulting from the change over to the modernized formula, a special provision called transitional parity is used to prevent any drop resulting from the change over from being more than 5 percent per year. For most farm commodities the new formula is now being used. On basic commodities the effective parity price is the higher of (1) the parity price computed by the "new" formula or (2) the "transitional" parity price.

Surplus

"Surplus" in common farm terminology may refer to the economic situation in which the supply of a commodity is greater than the demand to return a desirable price for that commodity.

Another definition of "surplus" used by some people is where there is a physical quantity of a particular commodity stored. The point at which added physical accumulation becomes a "surplus" is not defined and would be set at different levels by different people.

Legally we have surpluses as defined by legislation in regard to price supports. The supply percentage is the estimated percentage which total supply is of the normal supply at the beginning of the market year. The level of price supports is then determined from this supply percentage. When the supply percentage is up to 102% on corn, wheat, and rice and up to 108% on peanuts and cotton, the support level is 90% of the parity price. As the supply percentage increases to 130% on any of the commodities the level of price supports decreases to 75% of the parity price for that commodity. The total supply on hand determines the flexibility of the support levels.

Surpluses can be caused by conditions beyond the producers control, such as weather or general market conditions or they may arise from such conditions as excess acreage, or over estimating the price, supply, demand and costs.

Acreage Allotments

The primary purpose of acreage allotments is to curtail production and thus raise farm prices and income. This assumes that a small reduction in production will bring about a larger proportionate increase in price so that total income is greater. In setting individual allotments the national allotment of certain field crops is divided among individual farms. The national allotment is that considered to be desirable in order to bring supplies of the crop more nearly in line with demand.

If acreage allotments are in effect, but not in conjunction with marketing quotas, farmers who produce the commodity on acreage in excess of their acreage allotments are not subject to penalties on the excess production although they are not eligible for price support.

Marketing Quotas

Marketing quotas are a more effective means of regulating the production and marketing of commodities when supplies become excessive. They are always used in conjunction with acreage allotments and the quota is the quantity produced on that allotment.

A referendum is held following the proclamation of a need for a marketing quota for a specific crop by the Secretary of Agriculture. If at least two-thirds of the eligible farmers voting on the marketing quota do not approve it, the quota will not be put into effect.

If the marketing quota is approved, farmers who produce acreage in excess of their quota are subject to penalties. The penalty is assessed on the normal or average yields produced on the acres in excess of the allotment. Generally this amounts to around 45% to 50% of the parity price as of a certain date.

Failure to approve the marketing quota affects the level of price support. In the case of tobacco no price support would be available while on the other basic crops support levels would drop to 50% of parity if the referendum failed. The only penalty for those not complying with allotments would be that these farmers would not be able to receive price support for their commodities.

Under existing legislation, the only commodities for which marketing quotas can be proclaimed are upland cotton, extra long staple cotton, wheat rice, peanuts, and tobacco. This includes all the so called "basics", except corn.

Price Supports

Price supports are programs that are darried on by the Department of Agriculture through the Commodity Credit Corporation which establish price minimums or "floors" on a number of agricultural commodities. This floor is expressed as a certain percent of "parity" price. Levels of support are established in accordance with the direction and authority contained in the Agricultural Act of 1949, as amended, particularly by the Agricultural Act of 1954 and, in the case of wool and mohair, by the National Wool act of 1954.

Supports are mandatory on the basic crops which are corn, cotton, wheat, rice, tobacco, and peanuts. Supports also are mandatory on certain designated non basic commodities which include wool, mohair, tung nuts, honey, milk and butterfat. The range of support for designated non basics differs with each commodity. Supports on other non basic crops are at the discretion of the Secretary of Agriculture and can be set anywhere between 0 and 90 percent of parity.

Prices are supported on all basic and designated non basic commodities, (except wool and mohair) by loans, purchase agreements, and purchases (See page 8). Prices of wool and mohair are supported by incentive payments.

Support Levels of Basics

Supports on five of the six basic commodities, corn, cotton, wheat rice, and peanuts to cooperators are required under the Agricultural Act of 1954 at not more than 90% of parity nor less than the levels called for by the "minimum support schedule" ranging from 75% to 90% of the parity price. Tobacco is an exception because it has rigid 90% supports. The range of price supports depends upon the relationship of total supply to normal supply. Minimum support schedule is determined by the supply percentage as explained under surplus. If producers disapprove marketing quotas, cooperators would be entitled to receive support at 50% of parity. Under the law, support to non-coopraters may be made available at such levels, not to exceed the level of price support to cooperators, as the Secretary determines will facilitate the effective operation of the program.

Support Levels of Mandatory Non Basics

Milk and butterfat - Support is required at such a level, not more than 90% nor less than 75% of parity, as the Secretary of Agriculture determines necessary to assume an adequate supply.

Shorn wool - The support level for shorn wool is required to be at such incentive level, not exceeding 110% of parity, as the Secretary determines necessary to encourage production of 300 million lbs. of shorn wool. When this production is reached the support price will drop to between 60% and 90% of parity to encourage annual production of 360 million lbs. of wool.

Pulled wool - To be supported at such level in relationship to the level for shorn wool as will maintain normal marketing practices.

Honey and tung nuts - Support is required at not less than 60% nor more than 90% of parity.

90% Supports

Ninety percent supports, commonly known as "rigid supports", merely means the price of specific commodities will be supported at 90% of the parity price. The parity price of a commodity is the price which will give a certain quantity of a commodity the same amount of purchasing power that this same amount had in the 1910-14 base period.

Flexible Supports

The Agricultural Act of 1954 provided for flexible supports. The flexibility of support prices is discussed under "support levels" on page 6. The basis for determining the support price to be used is mainly by the supply percentage. This is discussed under "surpluses" on page 3.

Commodity Credit Corporation

The CCC was established by an executive order of the President in October, 1933. It was financed and operated in close affiliation with the Reconstruction Finance Corporation until 1939 when it was transferred to the Department of Agriculture. Approval of the Commodity Credit Corporation Charter Act in 1948 established the CCC as an agency of the United States under a permanent Federal Charter.

The Charter Act, as amended, authorizes the CCC to: (1) support prices of agricultural commodities through loans, purchases, payments and other operations; (2) make available materials and facilities required in the production and marketing of agricultural commodities; (3) procure agricultural commodities for sale to other government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements; (4) remove and dispose of surplus agricultural commodities; (5) increase domestic consumption of agricultural commodities through development of new markets, marketing facilities and uses; (6) export or cause to be exported or aid in the development of foreign markets for agricultural commodities; and (7) carry out such other operations as Congress may specifically authorize or provide for.

Loans

Loans under the price support programs maintain prices in two ways. First, they provide farmers a cash return for the commodity at the support level during the period loans are available. Second, they strengthen market prices of the commodity through the withdrawal of supplies from the market.

Most price support loans are made through private lending agencies, usually local banks approved by CCC. At the end of the loan period the farmer has the alternative of paying back the loan or letting the CCC take over the commodity. All price support loans are non-recourse, which means that producers are not obligated to make good any decline in the market price of the commodity put up as collateral. No interest is charged when a loan is repaid with the commodity delivered to satisfy the loan. A rate of 3½% per year is charged on all loans that are repaid in cash.

Purchase Agreements

A purchase agreement is, as the name indicates, an agreement on the part of the CCC to purchase from a producer at the producers option not more than a stipulated quantity of a commodity at the support price. No money changes hands at the time the agreement is made. It provides a means of price support for the producer who does not have an immediate need for money or who is not able to meet loan storage requirements. In addition, a producer may not be willing to encumber his commodity as is required under a loan operation but may want an inexpensive form of price insurance.

Direct Purchases

Direct purchases are made, generally, when it is not feasible to support prices through loans or purchase agreements. Butter, cheese, and nonfat dry milk solids are examples of products that are supported in this manner. Purchases are usually made from the manufacturers or handlers.

Marketing Orders and Agreements

Marketing orders and agreements were first established under the Agricultural Adjustment Act of 1933 and later strengthened under the Agricultural Marketing Agreement Act of 1937. They seek to establish and maintain orderly marketing conditions for certain perishable commodities.

A marketing agreement is a voluntary contract between the Secretary of Agriculture and a handler or group of handlers of a certain agricultural commodity. The agreement affects only the handlers who sign the contract.

A marketing order issued by the Secretary of Agriculture makes the order binding upon all the handlers of a commodity within the specified area, regardless of whether they sign the marketing agreement.

Marketing orders without agreements are common for milk while certain other commodities-some fruits, vegetables, nuts and tobacco - have both agreements and orders.

Marketing agreements and orders are usually instituted in the following steps: (1) a tentative agreement and order is formulated by industry groups or (2) producers sponsor a program with a request for a public hearing that is submitted to the Secretary of Agriculture; (3) with due notice a hearing is held; (4) written briefs and arguments or conclusions are submitted following hearings; (5) a recommended decision, considering evidence, is prepared and published; (6) interested parties may then file exceptions to the recommended decision; (7) a final decision of the Secretary is prepared with respect to terms and provisions of the marketing agreement;

(8) the marketing agreement is submitted for approval by handlers and producers; (9) if 50% of the handlers sign the agreement and 2/3 of the producers approve in a referendum, an order is issued making the terms of the marketing agreement binding upon the entire industry for a specific commodity in a marketing area.

Marketing orders can be amended or terminated within the law. Legal action can be taken against violators of the order.

Compensatory Payments

Compensatory payments are a method of supporting farm prices in which the commodity is allowed to seek its own price level in the market and the difference between this market price and a support price will be paid directly to the producer. This type of payment also is referred to as a production payment, parity payment, subsidy payment, and income payment or support. They are the same as incentive payments, except the objective is primarily to raise income rather than stimulate production.

Incentive Payments

Incentive payments are a form of compensatory payments in which the support price is set at a level high enough to encourage the increase in production of a commodity to a desired level. An excellent example of this is the present wool program as set forth in the National Wool Act of 1954. Under this program the price of wool is set in advance at a level considered high enough to encourage an annual production of 300 million pounds of shorn wool.

Forward Pricing

Forward pricing, in a limited sense, is now being used when the support price of a commodity is announced before the planting season. However, the early concept of forward pricing did not include the parity concept. Instead it would depend upon production, marketing and consumption criteria.

The main characteristics of this plan would include: (1) forward prices would be set close to the expected market price with reasonably high employment; (2) prices would be established far enough in advance so production could be adjusted. This might mean 1 to 2 years on hogs, 2 to 3 years on beef, etc. (3) Prices would be maintained at the announced level. The most common method suggested for maintaining prices and income would be by compensatory income payments. (4) Forward price announcements would be stated clearly so farmers could readily interpret their meaning to make necessary adjustments. On grain the announced forward price might range 10-20 cents per bushel while on livestock the range might be $1.00-$2.00 per hundred pounds.

Two Price Plan

This proposal is advocated for some products. The producer would sell his product on the market for whatever price the quality, variety and type would bring. Then cashable certificates might be issued to the producer in proportion to the share of his product used for human consumption or in the domestic market. Thus two prices for the product would indirectly be received--market price for one part and market price plus the value of the certificates for the other part.

Processors, in turn, might be required to buy certificates to cover the amount of the product they use to finance the program. The cost of the certificates to the processor and the cash value of the certificates to the farmer would be established in advance.

Proposals include temporary price supports and acreage controls until present surpluses are eliminated. The idea of maintaining price and acreage controls is to prevent "dumping" in the feed and export markets.

Programs to Increase Consumption

Various methods to increase consumption have been tried. Some are still in operation. Their primary purpose is to increase the consumption of surplus commodities. A secondary objective is to provide protection for the health of low income people and welfare of society as a whole. Among the various methods tried have been:

1. Federal Surplus Relief Corporation - Established in 1933 for the diversion of surplus farm products into domestic relief channels. This agency distributed surpluses acquired in price support operations to families on relief. In 1935 FSRC became the Federal Surplus Commodities Corporation. This corporation is no longer in existence.

2. Section 32 Program - In 1935 this section amended the Agricultural Adjustment Act by allocating 30 percent of the collections from tariffs on all imports to the Secretary of Agriculture for his use to encourage domestic consumption by diverting surplus commodities to low income groups. The three primary subsidy programs developed under Section 32 have been:

(a) Food Stamp Program - The purpose of this plan was to supply needy families with additional purchasing power. Those eligible to receive various forms of public aid were entitled to benefits from the program. With the money they were spending for food, they could buy orange colored food stamps of the same value. These stamps were to be used for any foodstuff. In addition, for each dollar worth of orange stamps purchased, the family received about 50¢ worth of free blue colored food stamps. The blue stamps were to be used to buy foods on the Secretary of Agriculture's list designated as surpluses. This program began in 1939 and was discontinued in 1943.

(b) School Lunch Program - This program began as a means of supplementing the lunches of needy children. It become a permanent law after the passage by Congress of the National School Lunch Act of 1946. Under this act the following types of government assistance are authorized.

(1) Cash reimbursement for a part of the school's expenditure for purchases of food from local sources.

(2) Foods of special nutritive value are purchased by the U.S.D.A. and distributed to participating schools in accordance with need.

(3) Part of the food acquired by the U.S.D.A. under its surplus removal operations are distributed to all schools serving lunches on a non-profit basis.

(4) Funds are authorized for the purchase of equipment used in preparing and serving food. So far funds for purchase of equipment have been appropriated only during the first year of operation.

Within the public or non-profit private schools participating, lunches must be made available to all children without discrimination and either free or at reduced cost to those unable to pay the full amount.

(c) Relief and School Milk Distribution Program - This program operated under federal milk market orders in several of the larger cities. Milk was sold to families on relief at about five cents per quart and to needy children at one cent per half pint. The program was discontinued during World War II.

3. School Milk Program - The special school milk program, established under the Agricultural Act of 1954 to run from September 1, 1954, through June 30, 1956 was designed to move more milk directly into consumption channels by assisting states and local communities to increase the serving of milk in schools. In 1956 Congress extended this program for two more years. A sum of $75 million per year was authorized to support the program. This money comes from CCC appropriations.

The schools are reimbursed for a portion of the cost of additional milk served. A base is established for each participating school, representing former consumption of milk by children in the school. Schools are reimbursed up to a maximum of four cents for each half-pint served in addition to the base. Schools that did not previously serve milk are reimbursed up to a maximum of three cents per half-pint served to children. All public and non-profit private schools of high school grade and under are eligible to participate. Funds are administered within the state by state educational agencies.

4. Compensatory Payments - Compensatory payments discussed earlier, are one of the means suggested of increasing consumption. Payments could be given to producers or consumers. One of the primary arguments in favor of compensatory payments is that as the price becomes lower to the consumer there will be more demand, therefore, surpluses will be reduced.

International Wheat Agreement

The International Wheat Agreement first came into effect on August 1, 1949, and was extended in 1953 to run until July 31, 1956. It was revised and renewed in 1956 for a period of three years. The objectives of the agreement are "to assure supplies of wheat to importing countries and markets for wheat from exporting countries at equitable and stable prices." To accomplish these purposes the agreement is limited to guaranteeing exporting countries an assured market for a definite quantity of wheat at not less than the agreed minimum price and assuring importing countries a definite quantity at not more than the maximum price.

Under the provisions of the agreement an importing country is required to purchase, up to the quantity it has guaranteed to buy, any wheat offered at the minimum price. Likewise an exporting country must sell, up to its guaranteed quantity, whenever the maximum price is offered by an importing country. Importers are under no obligation to buy unless the exporters offer wheat at the minimum price and exporters are under no obligation to sell unless the maximum price is offered by the importer. Between the maximum and minimum price range free forces may act.

There are forty-four importing countries and four exporting countries in the agreement. Exporters include: Australia, Canada, France and the United States.

Foreign Trade Factors Influencing Agricultural Policy

Prosperity in agriculture is affected by (1) high employment and income, (2) high degree of foreign trade, both imports and exports, and (3) prosperity in other countries.

Agricultural products since 1953 have accounted for about 20% of all U. S. exports. From 1945-1952 agricultural products averaged about 29% of the total exports. Over 6% of the total agricultural production is being exported. The fluctuations in exports from year to year in one or more commodities may cause price reactions in many commodities.

The Reciprocal Trade Agreements Act passed in 1934 and renewed a number of times has gradually reduced tariffs. The reduction has amounted to about 50%. The Randall Program to further decrease tariffs has been debated in Congress.

Some foreign trade restrictions employed by governments are (1) Quotas which limit the amount of goods that can enter foreign trade. (2) Embargoes which prohibit any trade, (3) export taxes to gain revenue, (4) state trading in which the government does the trading rather than private organizations. (5) Exchange controls by manipulating exchange rates of currency and (6) subsidies such as price supports to an industry to maintain a higher domestic price is another form of subsidizing exports. This is done in the International Wheat Agreement.

Technical assistance programs can be a factor in effecting foreign trade since historically as countries have developed it has been observed that trade increases as productivity improves.

The general policy of our government in both domestic and foreign affairs can have considerable influence upon foreign trade.

<u>What is the Low Income Problem in Agriculture?</u>

A recent study shows that there are now about $1\frac{1}{2}$ million out of a total of approximately 5 million farm families with net incomes of under $1000 per year. About 1 million live in the South. They make up to 50% or more of all farm families in a large part of the South. Within the South the lowest income areas are characterized by a heavy dependence on cotton, a high percentage of tenancy and share cropping, a high ratio of negroes to whites, low levels of education, high birth rates and small sized farms.

Other major regions with up to 30% of their farm families in this low income group include the cut over areas around the Great Lakes and Northwestern New Mexico. There are a few such areas in Ohio. In addition, it should be noted that about 50% of the farmers in the U. S. produce about 90% of the total agricultural products.

<u>Low Income Program (Rural Development)</u>

The U. S. Department of Agriculture completed a special study on the problems of low income farmers and suggested a program which includes the following points: (1) education to develop skills so many low income farmers can go into other occupations; (2) training in modern agricultural methods and (3) offering special credit facilities to allow larger farm units to be organized.

It is generally agreed that a program designed to remedy the low income problem should increase the movement of people out of agriculture. This includes (1) increasing the education and training in low income areas as well as providing employment opportunities outside of agriculture;

(2) enlarge the size of the remaining small sized farms into productive units; (3) provide a method of farm management supervision for farmers who are expanding their farms and making them more productive.

Soil Bank Plan

The stated objectives of the soil bank plan are to (1) compensate farmers for planting land poorly suited to cultivation to soil building crops; (2) reduce the amount of grain, fibre and food grown and store the surpluses as fertility in the soil rather than commodities in the warehouses; (3) relieve producers of crops and livestock from excessive production from acres diverted from surplus crops.

The program for accomplishing the above include two main catagories. They are called "Acreage Reserve" and "Conservation Reserve". The first is for farmers to voluntarily divert acreage away from the production of a "basic commodity" for a one year contract period which may be renewed. No crop (including hay or pasture) can be removed. Payment for diverting acres are in certificates negotiable for cash or surplus commodities. Eligibility for price supports and participation in the soil bank still is dependent upon compliance with acreage allotments and marketing quotas. The land in the "acreage reserve" would be that removed from allotted acres.

The second category called "conservation reserve" involves land in addition to the acreage reserve and its aim is to encourage more desirable land use -- planting land poorly suited to tillage, to forage, trees or water storage. Payments for a long period of time would be necessary to eliminate these acres from production. This means signing of contracts for three, five, ten and in a few instances up to 15 years.

The aim of the program is multi-fold. It would expect to cut production and thereby raise farm prices. It would divert acres from production of "basic" commodities. It was hoped that it would eventually eliminate regional conflict by permitting farmers to raise what they want by discarding acreage allotments and marketing quotas. The soil reserve developed could be called upon in national emergencies, or as surpluses are relieved and as population increases.

The Program of the Great Plains

The Program of the Great Plains was developed by the Great Plains Council. a voluntary organization of agricultural leaders from the land grant colleges and heads of the federal and state agricultural agencies in the Plains States in cooperation with the U. S. Department of Agriculture. Its purpose is to assist farmers and ranchers in the Great Plains States to develop a land use program which will help avert many of the hazards that come with the recurring droughts common to the region. The goal to be achieved is a more stable agriculture, more dependable sources of income, and a progressively higher standard of living for the people of the region. To achieve this goal, there must be widespread use of good soil management and water conservation practices. In addition, adjustments in sizes and types of farms which will enable farmers and ranchers to effectively cope with the climatic hazards of the region is necessary.

This program is applicable to ten of the Great Plains States. Initial emphasis is in the critical wind erosion areas. Several phases of the program have already been put into effect. Other phases require further development. The program is subject to revision from time to time as additional research and experience show need for change and expansion.

The Brannan Plan

Secretary of Agriculture Brannan in 1949 proposed a price support program that caused considerable debate. Briefly the Brannan Plan involved the following points: (1) The level of price supports and production payments were to be on the moving average of the first 10 of the last 12 years instead of the 1910-14 base usually used for the calculation of parity. At the time this proposal was made (1949), this meant that agricultural income in any year would be supported at about the same percentage of the national income as it was in the years 1938-47. If the national income increased, the level of price supports and production payments would be increased. (2) Price supports, involving production controls, marketing quotas and subsidies, would be used to maintain farm income for storable commodities - wheat, corn, cotton, wool, etc. at 100% of parity using the above base. Production payments would be made to producers of nonstorable commodities - beef, hogs, fruit, vegetables, etc. - to maintain a level of income corresponding to that received on storables. (3) The producers eligibility for price supports and production payments would be dependent on compliance with production and market control regulations and on participation in the national soil conservation program. If a farmer did not comply with allotments and quota regulations or develop a satisfactory soil conservation program he would not be eligible to receive the benefits of price supports and production payments. (4) In addition, the Secretary, in deference to the family farm ideal, suggested that on any one farm, price supports and production payments be limited to an amount equal to 18,000 bushels of corn or its equivalent (roughly $25,000 in cash receipts in 1949). A farmer would not receive price supports of production payments in excess of this base.

Some Questions About the Surplus Problem

Agriculture began to go through a major adjustment period following the tremendous production effort of World War II and the post war rehabilitation program of war-ravished countries. The Kroean Conflict again changed the problem for a short time. However, farm prices and incomes have dedlined considerably from the high point of 1951.

Many theories and solutions are being proposed to meet the problems facing agriculture. Ideas and suggestions are always welcome but some questions are being raised concerning a few of the proposed solutions regarding one of agriculture's biggest problems--surpluses.

One of the main questions being asked "Are surpluses and stockpiling a blessing?" Some people feel "adequate" stockpiling is a necessity in case of crop failures or in a national emergency such as war. Others feel stockpiling, has too much adverse effect on prices. They feel a food shortage in the United States will not come in the foreseeable future with the fertility of our soil, varying climatic conditions, and the livestock population to fall back on. The people of the United States never have been confronted with famine or hunger from a food shortage. Agriculture met the challenge during World War II and helped feed the world. Many people feel an ever normal granary (reserves) is desirable and that definite rules should be used to govern the use and to provide an exchange of new for old products to maintain quality in storage.

Another question "Will population catch up with agricultural production and reduce surplus?" Some people feel the population in the United States and the world is growing so rapidly that eventually the population will actually be endangered by a food shortage. Some highly productive land is being removed annually by the urban people moving into the rural areas, growth of suburbs, new roads and factory construction.

Other people say population is not likely to overtake production with the tremendous potential of agriculture through the technical "know how" of the American farmer. Research from the land grant colleges and experiment stations have contributed much to the progress of agriculture. Expanding research programs and better communications -- via radio, television, bulletins, local agricultural leaders, etc. -- are likely to contribute vastly more "know how." They feel agriculture's future ability to produce is probably greater than the likely growth of the United States' population providing adjustments can be made to use all technical developments. In this latter case, levels of living will be improved further.

"Can we give our surpluses to hungry people?" From a humanitarian point of view this is commendable if we can do it without seriously interfering with the economics of other nations. Certainly some of this can be done but it is uncertain as to how far we can go with this program to eliminate all surpluses.

In the United States we have record levels of employment and income. In spite of this, the national diet is inadequate. The inadequate diet is probably the result, mainly of inadequate information, custom or preference. This probably can be corrected by education, but educational processes are slow.

"Will the family farm be eliminated if high support prices and surpluses are not maintained?" This implies that eventually corporation farming will take over. High support prices in themselves actually are more favorable to large farms because the returns from support prices are the result of the total amount of products sold. Large farms sell more so they benefit more. The natural and normal growth towards larger sized farms is likely a result of increased efficiency due to mechanization. Corporation farming probably is faced with two very large obstables. One of these is the availability and cost of labor. Another is the large investment necessary and the rather slow turnover of agricultural capital. Some feel this is not likely to attract the necessary capital to encourage tremendous expansion in corporation farming. There is not much indication of a shift toward corporate farming in recent years.

Another question is "Are farmers absolutely essential and entitled to a living for producing food?" Some feel that if artificially high prices are maintained it is likely to encourage the manufacturing of synthetic foods. Some are being placed on the market at the present time and with industries' skill and research many more could undoubtedly be developed if prices were favorable. These people feel it is within the realm of possibility that many farms and farm produced items might be replaced by industry. A more satisfactory statement in regards to the farmers' rights might be to the effect that farmers are entitled to the opportunity to earn a satisfactory living.

This is no attempt to completely discuss surplus problems. The above questions are some of the most commonly asked. You will notice there is no single answer. In looking at the future we have only our past experience to use as a guide. Conditions change and consequently solutions to problems change. Keeping abreast of these changes is difficult but very necessary in trying to anticipate the future.