

CURRENT TRENDS IN FARM POLICY

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The Agricultural Act of 1958 is a small, compromise step in the gradual evolution of farm policy, as policy changes are likely to be except in emergency situations. Appraisal of current trends in farm policy requires us to look beyond the 1958 Act to a variety of economic, social, and legislative changes in recent years.

CHANGES IN AGRICULTURE

Technological advance continues to expand farm output, to contribute to substitution of capital for labor, and to put small farm units at a comparative disadvantage. Vertical integration is bringing new capital and management practices into agriculture, and large-scale buyers are putting increasing emphasis on volume, uniformity, and quality of farm products. The income consequences of rising output and the impact of technology on the size and number of farms create demands for government programs for agriculture, but such changes also compound the difficulty of devising programs that effectively accomplish their purposes. Because of the strong prospect that rapid evolution of farm production methods and markets will continue for a long time, farm income policy very likely will remain a major issue; but present farm policy must change either in the direction of yielding to market forces or toward dealing with them more effectively.

THE POSITION OF LOW-INCOME AGRICULTURE

Increasingly the crude but useful distinction between commercial and low-income agriculture is being recognized by farmers and the general public. The distinction tends to reduce the apparent need for, and potential benefits of, price-support programs. The movement of industry into rural areas reduces the opposition to a decline in number of farmers. Well-founded doubts have arisen that withdrawal of surplus labor from agriculture will materially affect aggregate farm production, but there is a growing realization that a substantial adjustment of the labor force must be part of any solution to the farm income problem.

CHANGING PUBLIC ATTITUDES TOWARD FARM PROBLEMS

Sympathy for farmers and their problems has been sufficient in the past to win public acquiescence to government programs for agri-

culture. But international tensions are driving it into the background of the public's consciousness and creating new, competitive demands for budget dollars. High Treasury costs for farm programs are becoming less acceptable. The bulge in farm income during the 1957-58 recession and stories about high soil bank and crop loan payments to large-scale growers have caused many persons to cease regarding the farmer as the poor man of the American economy. The changing attitudes of their constituents and the failure of farm programs to perform as advertised have made urban congressmen less inclined to go along with their farm-area colleagues on new proposals.

DISUNITY AMONG FARM GROUPS

The disagreement among important farm leaders and groups has been extreme and unyielding. Farm groups have been little disposed to modify old goals, to admit deficiencies of favored proposals, or to seek compromises on difficult problems which have no perfect solutions. The political power of farmers has weakened as their proportion of the population has declined, and the disunity among farm groups has made agriculture a less effective minority than it might otherwise be.

DISSATISFACTION WITH CURRENT PROGRAMS

Neither those who want government support for agriculture or those who want none are satisfied with the present farm programs. Viewed from the standpoint of the individual farmer, marketing quotas are obvious limitations on income; viewed from the standpoint of agriculture as a whole, they clearly have had little or no effect on total output. The acreage reserve part of the soil bank is regarded—partly because of the happenstance of excellent growing weather—as an expensive way to achieve very little production control, and it has been discontinued. The conservation reserve is better liked because it often promotes improved land use and can help some farmers to produce less or withdraw from farming, but it does not seem capable of reducing production significantly. Though Public Law 480 undoubtedly has expanded exports much above what they would have been with price supports and no export subsidies, it has caused some international frictions. Even on its present costly scale it cannot eliminate surpluses from domestic markets. In general, most of the old problems remain despite the fact that federal expenditures on agriculture are likely to exceed 6 billion dollars in this fiscal year.

THE SEARCH FOR NEW PROGRAMS

Despite the present administration's dislike for earlier farm programs, P. L. 480 and the soil bank were logical extensions of former policy. As stocks accumulated under price-support activities, policy naturally turned to intensified efforts to dispose of surpluses abroad and

to reduce production. But these seem to have been the last large-scale proposals in the old series of programs with sufficient attraction to win congressional and farmer approval. In the past year, efforts turned toward developing a set of individual commodity proposals that collectively might win enough support to be enacted. The omnibus farm bill presented in the House, however, was defeated without formal debate.

THE DRIVE FOR FREER MARKETS

While the search for programs to make supports effective has been underway, efforts to work toward freer markets have continued. The flexible price proposal has been the principal example, but reductions in supports have come about slowly and haltingly. Originally, the hope seemed to be that lowering prices would clear surplus stocks and that prices would then rise in unsupported markets. In the last year or two, the view seems to have shifted to the more realistic attitude that prices are not likely to be so buoyant, and emphasis has been on downward flexibility. The recent proposal that prices be supported at 90 percent of the average of the past three years would keep farm prices from falling as rapidly as they often do in free markets but would place no limits on the levels to which they might eventually go. The break with the principle of parity prices would be great, although prices have not been supported at 100 percent of parity in actual practice.

The Agricultural Act of 1958 made a distinct movement toward freer markets. Individual cotton growers can elect to take a lower level of price support and gain larger quotas. Corn growers collectively will choose between: (1) continuation of the present program and (2) price support on a 90-percent-of-the-past-three-years basis and elimination of acreage allotments. Lower levels of support for cotton, rice, and corn can apply in the 1960's. The act contains several evidences of Congress' inability in recent years to make firm decisions in this area, and probably few who voted for it expected it to be more than a temporary measure. But indecisive as the act is, it represents a substantial change from legislation of a few years ago.

EMERGING TRENDS

Two sets of forces usually have been pressing upon farm policy, one for high income support, the other for no or low supports. Despite much more difficult economic circumstances and a less favorable political environment following 1952, the forces for high income support were strong. Recently the forces against high supports have been gaining strength, and farm policy has been gradually retreating from high income support for agriculture. This seems to reflect much less a positive decision to return to free—or at least freer—markets than

dissatisfaction with the status quo and lack of more attractive alternatives.

The trend away from income support programs is unlikely to be smooth even if it persists. Lower farm income in the Midwest next year may significantly increase farmers' demand for support programs and induce them to accept more drastic production controls than have yet been tried. The elections of 1958 and 1960 may importantly modify the political setting in which policy is made. Yet if too many prices do not decline too much at one time (and the reluctance to reduce price supports helps to maintain this condition) the trend toward freer markets may experience only minor setbacks.

Completely free markets seem quite unlikely to be attained; indeed, a wider variety of programs involving less income support may be the result. Four kinds of programs or actions seem to be in prospect:

1. Stabilizing programs involving storage for nonperishable commodities and occasional purchases of perishables. These programs probably will also involve a modest amount of income support for producers.

2. A wide variety of small-scale group efforts, both privately and governmentally sponsored. Examples are growers' organizations to promote sales of their products, wider use of marketing agreements, more cooperative processing and marketing, and bargaining organizations of integrated producers.

3. Programs affecting exchange and prices of internationally traded farm commodities. Widespread state trading, rising demands by raw material export countries for international commodity agreements, and use of farm products in foreign aid programs will require these programs.

4. Government programs involving tight production control for some commodities where economic characteristics and grower attitudes make them feasible.

If the trend away from income support for agriculture continues, most emphasis will be on stabilization and small-scale group efforts. International programs will reflect broad economic and political considerations, and tight production control will apply to but few commodities. If the former trend toward greater income support for agriculture is resumed, production control programs are likely to expand to numerous commodities, and policy for international trade in farm products may be largely dictated by the immediate interests of producers. Present conditions suggest that the trend away from income support is likely to continue, but when the range of events that will govern the future is considered, we must admit that no one can really know.

PART III

Research in Agricultural Policy

