

FARM PRICE AND INCOME ISSUES, 1965

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There are three broad concerns in national agricultural policy that I would like to share with you. The first broad concern that I think we must recognize for this next year is the cost of price and income stabilization programs. Secondly, the level of farm income for 1965 is emerging as a question of very real concern. Finally, the broad area of decision making in agriculture and the extent to which it can be kept in farmer hands is also beginning to emerge as a matter of real concern. Within the context of this background I would like to suggest some price and income policy issues about which I feel we should be concerned in planning our educational programs for 1965.

1. Supply Management

The need for supply management is not far from being a dead policy issue. How we accomplish supply management is a very live issue, and it appears to me that we will move more and more toward voluntary types of management programs. More stress will be given to the use of economic power rather than police power.

I agree with Professor Bishop that one of the major policy variables in 1965 will be the future of retirement programs. The question of land retirement is not ancient history. This program most likely will emerge in 1965 and beyond as one of the very real controversial issues with which we will have to cope.

Senator Bayh of Indiana has drafted a bill on land retirement. If he gets the support that is currently indicated in the Congress, we may see legislation emerging for 1965 that would retire 35 to 50 million acres plus the sustaining of the land that is already in the conservation reserve program. If retirement of 50 million additional acres were to cost \$20 per acre, this would amount to a billion dollars. This would be a voluntary type of program. The decision making would be in the hands of farmers. The odds are that this will be an issue in 1965, and I am sure those at this conference do not agree on this issue. Our feed grain program last year is estimated to have cost 2.5 billion dollars. If we can retire enough land to effectively reduce output, the total cost should be much less than the cost of present feed grain programs.

2. Flexibility vs. Simplicity

Farmers and administrators desire more flexibility in farm programs, hoping at the same time to achieve more simplicity in their operation. The decision-making complex that surrounds current programs is confusing to the farmer as well as to the agricultural economics profession. This is an emerging issue. How are we to develop the information, the strategy, and the tactics for conducting an effective educational effort as programs become more complex? This is one of the reasons why I think that a land retirement program may become more attractive to the U. S. Department of Agriculture.

3. Should Domestic Prices Move Toward World Price Levels?

One of the issues we must face in 1965 is to what extent farm programs should let domestic farm prices approach the level of world farm prices. We are already moving in this direction. For the first time in a long period the domestic price of wheat to growers is below the world price of wheat. This is a matter of grave concern to wheat growers. What are the implications for policy education in developing understanding of price and income programs? The general principle seems to make sense that the domestic price of a commodity should approximate world prices when we are an exporting nation. If farm income does decline as domestic price levels approach world price levels, should we come in through the back door and support this sagging income with direct payments? What is the implication, then, to the taxpayer who sees farm prices approaching the world level at the same time that he is asked to contribute more tax money to bolster farm incomes?

Some people refer to the current wheat program as imposing a bread tax on consumers. Some farm and city people in a neighboring state see the wheat program as imposing an export tax on producers. Are we prepared with facts, strategy, and the necessary educational horsepower to improve their understanding of this issue?

Professor George Brandow suggests that to maintain an 11 billion dollar income in agriculture through direct payments would cost 5 billion dollars in five years and that we still would maintain no more than 11 billion dollars of farm income! How do we interpret this to both farm and city people?

4. The Structure of Agriculture

One of the emerging issues is what will be the future structure of U. S. agriculture? What is the future of the family farm? Too many of us are doing our educational work today as if nothing has changed

in agriculture during the last decade or two. To be sure, we have made a few changes in our program approach. As agricultural economists we seem to be abdicating our responsibility to successfully communicate to our farm people and others what really is occurring in agriculture and what the future structure most likely will be.

We need to decide whether or not we are farming for profit in the commercial sector of agriculture. If not this, then what are we really trying to do? What kind of an agricultural structure is required to bring about what we want? We have done poorly here, and this controversial issue will be with us in 1965.

5. Group Action Activities

This morning's program was of interest because increasing attention will be given to group action programs in the coming year. Should we give more aid or less aid to co-ops? What choices and consequences are we prepared to present to our people? We talk about bargaining associations and market power. What state enabling legislation do bargaining associations need to achieve a certain level of market power? What national legislation should local people seek to attain a certain level of market power?

I submit to you that these are highly controversial issues. Some people feel bargaining associations should have national enabling legislation similar to that supporting the organization of marketing orders.

Do we really understand group action activities? Do we have the facts? Are we sufficiently informed that we can discuss this issue intelligently? How do we communicate to get the story across so that issues and the choices can be clear? What do we really know about the National Farmers Organization?

6. International Marketing Programs

What we should do with respect to our international marketing programs will be a much debated issue in the year to come. I submit to you that we know too little about the facts, the figures, the principles, and the relationships involved in international marketing. As Assistant Secretary Jacobson mentioned, market development programs are already under way in 67 nations. This of itself is a very impressive effort.

What should be our attitude toward international commodity agreements—for example, the international wheat agreement which is up for reconsideration in 1965? Most wheat farmers do not understand the international wheat agreement. I do not know how many of us

here understand it as well as we should. How international marketing arrangements may influence farm prices and incomes in this country will constitute an important issue for 1965. Now is the time to get our educational houses in order.

7. Domestic Demand Expansion

A perennial question is what can be done to expand domestic demand. Should we or should we not support an expanded food stamp program? What should be our attitude toward import quotas in attempting to maintain the domestic market for the domestic producer? What should be done with respect to the complex of opportunities and problems of advertising and promotion assistance from which our farmers seem to expect a great deal? This is a very real issue in the year ahead.

8. Market Power

Market power is an issue with respect to both private marketing arrangements and governmental arrangements. How much authority should the Secretary of Agriculture have to influence the price level of farm commodities? We may not be aware of it, but it appears to some of us that the Secretary now has the necessary gimmicks by which he can determine the price of wheat; the differentials between the grade and classes of wheat; where the wheat shall be used; how it shall be used; and in what area perhaps it may be produced. He has this authority now.

Is this the kind of power concentration at the national level that our farmers wish to see developed? Do they, as well as ourselves, understand the issue? What do we need to know about it?

We talked about the Board of Trade this morning. What does the Board of Trade use as its principal determinants of price expectations? Some of us suspect that they base their expectations on the market power of government agencies as much or more than they rely upon private trading. The Secretary has the power now to lower the price of soft white wheat by as much as 13 cents a bushel. This would punish the noncomplier. The Secretary can change the export differential today and determine how much wheat moves through the port of Portland; he can set the price of corn in the Midwest to within one quarter of a cent a bushel. I am not arguing that this is good or bad. Are farm people aware of this market power concentration?

What facts do we need to be fully informed on these issues? I am not trying to draw any conclusions that this situation is good or that this situation is bad. Within the spectrum of the three broad

concerns that I outlined earlier—the cost of programs, the level of income, and keeping of decision making in farmer hands—these become very important farm price and income issues in 1965. How well we deal with these issues will affect the future of many people.