

INFLUENCES ON COMMERCIAL AGRICULTURAL POLICIES

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Adjustment to today's changing conditions has required that society be concerned with the problems of the people. Today the farmer, his family, and rural communities face much different and, in some respects, more complex adjustment problems than heretofore. No longer are farm and city separated by easily identifiable boundaries. Nor do we have some problems for rural areas only, and other sets of problems for urban areas.

Many times a farmer's income is affected more by his decision concerning participation in a government program than by his selection of agronomic practices. It is important that a farmer have a basis for sound decisions concerning policy alternatives.

There are many areas of general agreement with regard to farm policy. Some of these areas of general agreement are: we should be oriented more to markets than to CCC stocks; programs should expand the outlets for farm products, both domestic and foreign; less emphasis should be placed on surplus disposal and more on food aid with self help. There is also agreement that expansion of outlets under Food for Peace will not solve the farm problem, at least in the immediate period ahead. It is agreed that putting commodities in storage will not bring farm incomes to satisfactory levels without some tight supply controls. We have also separated the function of income support from direct interference with market prices. We have become more oriented to world trade with realistic approaches to commercial exports and food aid.

Most of the discussion in earlier papers concerned basic approaches for adjusting the supply of agricultural products. Each of these policies would result in reducing manpower and cultivated land. If the land retirement system is used, less land would be under cultivation; hence, less labor needed.

Many commercial farmers have limited resources. Their farms basically are not adequate in size for the kind of operating unit needed in today's modern commercial agriculture. There are many reasons

for an inadequate operating unit, including lack of vision, capital, available land, etc. Frustrated by the cost-price squeeze, many of these individuals are looking toward farm organizations for help and guidance.

At the recent NFO meeting in Des Moines, Iowa, the Vice-President of NFO told the members, "There is no substitute for food, and you have the food in your possession right now. The farmer can get any price he wants. We have the power in our hands right now."

Any policy program designed to raise prices for farmers with inadequate sized operations will enable the larger commercial farmers to profit substantially, also. This is also true of high payments for participation in a commodity program.

There are basically two types of direct payments: compliance payment and supplemental payment. The compliance payment is made to growers who comply with a set of participation rules. Such payments are made in the feed grain and wheat programs. A supplemental payment is a type of direct payment which we now find in the wool and sugar programs. Substantial imports of both of these commodities are required to meet domestic needs. Some supply adjustment may be possible through the direct payment route when combined with a specific commodity program.

A \$5,000 MAXIMUM ON PAYMENTS

One suggested policy alternative is limiting the amount of payments to \$5,000 to any individual or corporation. The Senate document on the Hearings on Agricultural Appropriations, Volume III, lists individuals who have received \$5,000 or more in government payments from agricultural programs. I suggest that anyone who really wants to understand who influences agricultural policy peruse this list of names. It appears that a policy to limit the amount of payments available through various governmental programs is really unacceptable to most commercial farmers and to their farm organizations.

Let us consider whether the payments in excess of \$1 billion for 1966 are really serving the interest of agricultural adjustment and the interest of most farmers. The average payment was \$9,000 for 82,000 of the 87,300 farmers on the list. The other 5,300 farmers received an average of \$50,000 or more. At least half a dozen farmers received a million dollars or more in payments. The brutal fact is that the large commercial farmers who could probably survive without payments are the ones who are the most vocal about any \$5,000 limitation.

COMMODITY REFERENDUMS AND PRICE SUPPORTS

From 1960 to date, 53 referendums have been conducted by the ASCS for the various allotted crops as a prerequisite for price supports. This does not include the numerous votes on marketing agreements and orders. In terms of major commodities, tobacco (various types) has had the most referendums, with rice second, cotton third, and wheat and peanuts fourth and fifth. This is an average of about seven referendums each year since 1960.

In a referendum, the individual farmer who grows the allotted crop has the opportunity of voting for continuation of the present program or for no program. In both the Republican and Democratic administrations the alternatives offered to the individual grower have been so limited that the outcome can usually be readily predicted. There is nothing in the historical pattern of the past to suggest any basic change in this general procedure in the years ahead. Only rarely is there a choice between two kinds of programs. For instance, the flue-cured and burley tobacco farmers tolerated a decade of policy debate before they were offered a choice between acreage-poundage and acreage allotments.

There continues to be a sharp debate concerning whether referendums are "best" conducted by mail ballot or by individual voting at the precinct polling places. Statistics show that there is an increase in total votes cast with a mail ballot although there is no consistent pattern in terms of whether a mail ballot increases or decreases the percentage of "yes" votes.

In spite of the total number of referendums conducted, it is a "key" referendum that sets the tone for changes in agricultural policy. The key referendum in the 1960's was the 1963 wheat referendum. In this referendum over 1,200,000 votes were cast. The wheat referendum was bitterly contested, and the scars of this referendum are not yet healed in the hearts of some bureaucrats as well as in the hearts and minds of many farmers.

It is the job of the Get-Out-the-Vote Committees to make sure that the important leaders in the business and financial world as well as major farmer organizations vote "right." Whether individuals and organizations yield to this pressure to vote "right" determines the outcome of the referendum. Both formal and informal pressures are used by ASCS to obtain a large "yes" vote in each and every referendum. If agricultural economists are to have an impact on a specific policy, it must be before the referendum is announced.

Major farm organizations can seriously disrupt and, in many

instances, actually reduce the chances of a favorable two-thirds vote. Defeating a referendum is much easier than passing new legislation or obtaining placement of another alternative on the ballot.

To sum it up, referendums have been a useful tool to American farmers with allotment crops. There will continue to be a referendum process governed by somewhat stricter rules. However, the total number of votes could decline, and there will continue to be a debate over the effectiveness of the mail ballot. The value of the allotments will continue to be tied to the effectiveness of the supply control feature.

LAND RETIREMENT AND LAND VALUES

The value of allotments and land values are greatly influenced by the types of policy programs that are enacted. Emphasis is being placed on removing resources from agricultural production via various land retirement systems. The transfer of the land resource out of production has been on both a partial and a whole farm basis. The feed grain program, wheat program, cropland adjustment program, and soil bank program are all types of land retirement.

Policy decisions have been reflected in capitalization of the benefits from allotments into land values. The value of allotments has also been reflected in land assessments and the amount of taxes that the individual farmer must pay. In most cases, the landowner has benefited from agricultural policies that increase the value of allotments, and the tenant or sharecropper has received few benefits. Land retirement programs have enabled many farmers to become, in effect, active land speculators at a relatively low cost.

Agricultural policy relating to price and production adjustment affects land conversions to other uses. Today when a tract of land is sold, the assessing procedure is such that assessment, hence taxes, on nearby land is increased. In many cases, farmers are forced to sell their land to speculators or developers before the rising values have reached their peak. Other farmers may try to hang on to their land especially if the cost is not too great. Some hold their land until there is an actual decline in value compared with the values of surrounding areas which have previously been developed. However, with few exceptions, the higher taxes put increased pressure on the individual farmer to sell his land to an individual or corporation that is in a stronger capital position.

In spite of the ballyhoo, the greenspan program (open space) and the cropland adjustment program have been ineffective in serving

the needs of commercial agriculture. Expansion of the greenspan program depends upon society's value judgment concerning the worth of the open space in relation to the compensation paid farmers for not developing or selling this land. Across the nation there is an active interest in preferential assessment of land for specific agricultural use designed to lower taxes on this land. A program of this kind would enable a farmer to compete with commercial farmers in other areas and yet would also provide open space for urbanites.

CAST OF ACTORS

An alternative that is seldom discussed is the type of agricultural policy programs which would result should the cast of actors change. The disappearance from the scene of three or four key actors might significantly change policy positions of both the USDA and the American Farm Bureau.

Many of the programs advocated by the American Farm Bureau in early years are, in fact, being accomplished through the current administration. Yet the apparent rift between American Farm Bureau leadership and USDA leadership continues unabated.

It is interesting to speculate what might happen if we had a change of several key individuals in the American Farm Bureau and in the staff of the Secretary of Agriculture. First, there would be a basic change of image, and I believe a closer working relationship and more cooperation between the Department and the largest farm organization. Many commercial farmers feel that the continuous warfare is a waste of precious energy. One often wonders whether this opposition is based on beliefs or on obtaining and increasing the support of their followers. The various farm organizations and the administration could speak with much greater unity for the benefit of all agriculture.

Political position, power, prestige, control, and continuation of existing programs have been highly rated by some individuals within the USDA. Although these individuals are few in number they are, unfortunately, in some rather influential positions. The goals of these bureaucrats are not necessarily the same goals that a farmer would hold concerning agricultural policy programs.

Who really makes agricultural policy in the American Farm Bureau? Some feel that agricultural policy is not really made by the rank and file of farmers, but rather that policy is determined more by key, influential farmers and the staff of the organization. If the staff did not "buy" a certain policy position, it is doubtful that this

position could be adopted as a resolution.

I believe that the policy alternative of a change in the cast of actors is a real alternative and could occur within the next two years. Time may prove this alternative to be one of the most feasible.

OTHER ALTERNATIVES

Another area of agricultural policy that should be explored is a man retirement program or early retirement with a minimum income provision. Retirement might be considered at, say, age 55, under some type of social security arrangement. This has been proposed and I believe should be seriously considered as a realistic policy alternative.

Programs to bring additional job opportunities to rural areas should be actively encouraged. Vocational training for both the young and the old fits in well with economic development in our rural counties. These programs also fit into market orientation concepts.

Commercial farmers are influenced to some extent by other USDA policies, especially those that contribute to the urbanizing influence in rural areas. The development of a water line or sewer main from an FHA grant can greatly affect the value of the land and completely change the alternatives that the farmer faces in relation to the use of his land. Many times this type of development occurs along a main highway or adjacent to an urban area.

In summary, farm problems are not short-run problems. Many of our agricultural policy problems are fundamental and have been generated over decades. Changes in the structure of the farm economy, the U.S. economy, and the world economy call for adjustments. The policies applied in these types of adjustment problems may require years for successful evaluation. The political dialogue on farm policy will continue even though the limits of the alternatives may be narrowed. We have most of the tools to make policy changes for commercial agriculture now on the legislative books. Yet, there is no magic formula for the adjustments required of U.S. commercial agriculture.

PROJECTION 1980

In a lighter vein, I would like to gaze into a crystal ball and perhaps stretch your minds and imagination about what agricultural policy may look like in 1980. It is always risky to predict what will happen by a given date in the future, but it is interesting, entertaining,

and sometimes informative. So, throwing caution to the winds, let us look ahead to a similar agricultural policy discussion meeting in 1980.

Economic activity continues strong, which means that consumers are eating as much as ever, even though the current food fad "minical" is racing through the country. Despite the most recent series of statistical revelations concerning eating and heart disease, most folks seem either to be too smart to scare or are immune to the propaganda.

At the recent National Agricultural Policy meeting, a series of thirteen blue leaflets on alternatives concerning agricultural policy were unveiled. Some economists have charged that the blue color brings out the dismal aspects of economics and even of agricultural policy.

A report was made concerning the upcoming series of "bib overalls and torn shirt sleeve" meetings which are being held throughout the country. In an effort to dramatize the plight of the rural poor, the Secretary has been photographed in his one gallus overalls with the shirt that was nearly torn from his back at the last friendly meeting. A blue ribbon Presidential committee has been appointed to study alternatives to the present farm program. A rumor has it that failure to come up with a feasible alternative will mean that the chairman will be the new Secretary of Agriculture.

A large "tramp march" to Washington is being planned by NNACT and SMIRK along with other organized poverty groups. Some have charged that this march coincides with the opening of new public housing and that SMIRK plans to take over the apartments.

Following the funeral of General De Gaulle, England's application for membership in the Common Market was accepted. Total membership in the Common Market has changed now from the inner six to the outer dozen. The additional six includes Britain, Ireland, Norway, Denmark, Greece, and Turkey. Officials of this large Common Market indicated that a quota would be established on all agricultural products coming from third countries, which would seriously affect the American farmer. The Secretary of Agriculture left today for immediate consultation with Common Market officials in Brussels.

An important grain exporter, Ivan Buy Cheap, leaked the information that the grain crop in Communist countries was not as large as had been first suspected. However, it was quickly pointed out by officials in Washington that this was a temporary situation and that an increase in allotments would not be forthcoming.

A Congressional study is being planned on Parity for Farmers and Consumers. A serious staff problem has developed since the leading economists working in agricultural policy could not be found because of their commitments to community resource development. However, the importance of this Congressional commission's report made it necessary to retread several older economists from the ranks of community resource development work.

Some leading economists from nine universities, when questioned by news reporter Walter Crankcase, admitted that prices might not drop to the levels suggested under the different set of assumptions outlined by a major farm organization.

New legislation on "Freedom for Food Choices" has been enacted covering over 5,000 items which the qualified poor can obtain at the local supermarket with government coupons. It is now possible for the few of us who did not qualify for these wonderful coupons for the first time to play coupon bingo with a grand prize of 100,000 coupons to be offered to a different family each and every day.

To cope with the problems and mounting surplus stocks and lower farm income, a radically new proposal has been devised which has received the enthusiastic backing of farmers, all farm organizations (NFO-FB), processors, and consumers. The proposal is as follows—as follows—I am sorry, but the crystal ball has dimmed—!! !

PART IV

*Minimum Family Income
Proposals*

