

TALKS FROM THE  
9th Annual

# MISSOURI FARM FORUM

OCTOBER, 1957

*"Farm Programs for the Future"*



Much interest in programs for the farmer in the future was evidenced at all sessions. . . . Outstanding speakers presented timely subjects.

BULLETIN 698

UNIVERSITY OF MISSOURI

AGRICULTURAL EXPERIMENT STATION

J. H. LONGWELL, *Director*

S. B. SHIRKY, *Associate Director*

(See back cover for Table of Contents)





Dr. J. H. Longwell

## FOREWORD

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Legislation affecting national farm policies and programs has been developed mainly without benefit of research or reference to successful experience in operation. Suitable farm policy legislation cannot be expected until citizens generally and farm people in particular decide on the kind of policies they believe to be most effective and which they then present to their congressmen as being their choice.

The College, in this Forum, does not advocate or promote any special program or solution to a farm problem. The program is planned to present the development and present status of farm programs, to examine them critically and propose new or improved programs for the future.

We believe that the next several months may be more important in the formulation of agricultural policy and farm programs than any time since the early 1930's.

We also believe that the fate of farm programs is not so much in the hands of elected representatives as it is in the hands of those whom the elected representatives strive to represent. This seems to be particularly true in Missouri.

It is also true that congressmen in the area seem anxious to "come to the country" for suggestions. We believe this presents both an obligation and an opportunity to do what we can to upgrade the thinking on these matters among agricultural leaders of the state.

We also believe that we want to emphasize what might be done in the future with government farm programs and to minimize repeat discussions of the nature of the problem and what is wrong with what we have done in the past. However, it is true that problems and goals must be recognized before one can be very helpful in making suggestions for the future. But at any rate our discussion of proposals is intended to be a major part of this particular program.

In planning the program for this ninth Forum several changes have been made in organization and policy. Three of those changes should be pointed out. Previous Forums have extended through two days and have been held only on the University Campus. People living at considerable distance, especially in the northwest, southwest and southeast parts of the state cannot attend readily and have urged that similar programs be held in more convenient locations. This year substantially the same program as the one held on the University of Missouri Campus was held in St. Joseph, Springfield and Cape Girardeau.

**J. H. Longwell, Dean**  
University of Missouri College of  
Agriculture and Director of the  
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The author makes a point by way of an assist from flannel board.

## What Has Been Tried

ELMER R. KIEHL, CHAIRMAN  
 Department of Agricultural Economics,  
 University of Missouri

**B**EGINNING IN 1929 the major federal farm programs extended through periods of drouths and favorable weather, periods of wars and peace, depressions and prosperity, Democratic and Republican administrations. Let's begin by recalling the events since World War I, following the disastrous price decline of 1921, which *sparked* increasing concern about problems in agriculture.

A National Agricultural Conference was called by Secretary of Agriculture, Henry C. Wallace, in January 1922. The purpose of this conference was to consider the

"maladjustments" of agriculture in relation to the rest of the economy. At this meeting ideas of "*fair exchange value*" and "*equality for agriculture*" were crystallized for the first time. The conference also recommended:

1. Adjustment of farm production to demand on a voluntary basis.
2. Foreign credit aids to encourage exports.
3. Favored higher tariff.
4. Price stabilization through cooperative-marketing associations.

During the remainder of the 1920's these ideas formed the general background and were involved in the *abortive attempts* to obtain legislation. These ideas were partly embodied in the *five* bills called the McNary-Haugen bills. The first three were defeated in the Congress. The fourth and fifth bills were passed by the Congress in 1927 and 1928 but were vetoed by President Coolidge. Agriculture throughout much of the 1920's suffered from a price squeeze and only partially recovered by the end of the decade.

### First Major Legislation in 1929

The first major legislation, the Agricultural Marketing Act of 1929 was passed in the first few months of the Hoover Administration. The purpose and the approach was to provide an "orderly marketing system"—hence the emphasis was on evening out *seasonal marketings*. Large commodity corporations would be set up to *buy grains* and cotton at harvest seasons when prices generally *were lower* and then to sell later in the season when *prices were higher*. This operation was to even out prices throughout the year.

The Federal Farm Board of 8 members was established and provided with a revolving fund of \$500 million to buy commodities, make loans to cooperatives, to build storage facilities, etc. But the severe price decline beginning in 1929 made it impossible for the Board to operate as planned. It continued to buy but could not sell as was originally planned at higher seasonal prices. The Board travelled about the country asking farmers to reduce production voluntarily—to no avail. In its final report in 1933 the Board concluded that production controls were necessary. This venture ended in a loss of \$400 million.

### Into a Long Depression

The depression continued and any efforts made to deal with it seemed to be ineffective. A Democratic Administration was voted into power in 1933. Within two months the Agricultural Adjustment Act was passed. Its primary purpose was to *raise farm prices*. Taking a cue from the experience of the Farm Board, this Act provided for *acreage contracts* with producers. *Direct benefit payments* to producers in return for acreage contracts came from taxes on various types of processors. This Act was emergency in character and looked primarily to cutting the production (of seven major "basic" commodities—later extended to 15) as a means of raising prices.

The AAA came to an abrupt end by the adverse decision of the Supreme Court in the Hoosac Mills case in January 6, 1936. The Congress responded quickly with a new act, the Soil Conservation and Domestic Allotment Act. Its primary purpose was to legalize the farm program. The acreage controls and contracts were discarded

and production control was through the device of soil conservation.

Crops were classified into two categories as "soil-depleting" and "soil-conserving". Farmers were paid for shifting from soil depleting crops to conserving crops. Direct payments from the Treasury replaced the processing taxes.

The Act in many respects was a stop-gap measure. Wide-spread interest in soil conservation during this period was reinforced by the drouths of 1934 and 1936. However, as a measure to cut production, it was largely ineffective.

### Came The "Triple-A" in 1938

Soon increased interest and efforts were made to develop a more permanent program by farm leaders. These efforts culminated in the Agricultural Adjustment Act of 1938. This Act at that time was considered *the* comprehensive program. The new Act retained soil conservation and allotment features. A *loan program* through the CCC was specified with a level of support at *52-75% of parity*.

The parity concept for the first time was given a legal basis in a more precise formulation. A *new uses* program was set up which included setting up four regional research laboratories to study uses for by-products and farm wastes. *Diversion of commodities* to state relief agencies was expanded greatly. The *ever-normal granary* idea became part of the program which authorized storing crops in years of large production to be released in years of short production.

### "Thirties" Brought Other Acts

In the decade of the 1930's there were literally a score of other Acts designed to cope with agricultural problems. The major program shifted from an emergency basis to something that was hoped to be more permanent. However, farm prices in 1940 averaged lower than the average of the previous five years. The parity ratio was 80.

Foreign trade in agricultural commodities never recovered and, in the case of cotton, continued to decline to a mere trickle. Commodity Credit Corporation stocks of grains and cotton continued to pile up and there was real concern that the CCC would *surely* suffer the same fate as the Farm Board.

### War Changes The Picture

When war came to us in late 1941 with the attack at Pearl Harbor, the nation was called upon to go into high gear to turn out vastly more goods than it ever produced before.

In agriculture the shift to all-out production came slowly. Among farm leaders, the fear of surpluses was

more evident than fear of shortages. Congress continued to stress the need for *protection* against low farm prices. But administrators of non-agricultural defense programs were interested in stepping up production and in stable food prices.

The farm program was not designed for war. The Steagall amendment in 1941 was used as a device to *stimulate production*. Supports through loans were retained. The loan rate was increased to 90%. Later, a ceiling price of 110% of parity was placed on major farm commodities by the Price Control Act (1942). Still later, subsidies were granted to processors to allow farm prices to rise and at the same time keep retail food prices stable. To protect agriculture following the war, when war stimulated production would not be needed, later versions of the Steagall amendment made it mandatory to support agricultural commodities at 90% parity (those on the Steagall list) for two years after the official declaration of the end of the war.

### Price Controls Abolished

Under public pressure, price control expired June 30, 1946, reinstated July 25 and abolished November 11. Prices of most agricultural products rose sharply. Most observers at that time felt that agriculture would go through the same sort of adjustments which occurred after 1920. World-wide problems of reconversion, however, emphasized needs for food greater than anyone had anticipated.

Many private agencies as well as government were involved in foreign aid. These programs placed a strong support under farm prices. Truman declared the war over officially on December 31, 1946, thus automatically extending the wartime price guarantee (Steagall) to December 31, 1948.

Various committees, private and official, began study and made proposals for a long-range farm program. Many proposals were reviewed. A bill hailed as *the long-range* program representing compromise between the House and Senate was enacted as the Agricultural Act of 1948, to become effective January 1, 1950. Loans to guarantee parity were continued to support specified levels of parity. It modernized the parity formula. Instead of being rigidly tied to the 1910-14 base, it provided for an adjustment factor to take into account the average prices of the previous 10 years of the commodity in question.

The concept of flexible support between 60 to 90% of parity was introduced. The idea was that as supplies increased the support levels would be reduced and vice-versa.

Truman made a successful bid for the Presidency in the fall of 1948. With a Democratic Congress the long range Agricultural Act enacted by a Republican Congress the year before came under review again.

### New Long-Range Program Set-Up

In 1949 the *second long-range* program was enacted. Flexible supports were retained. The major changes were largely in the level of support, that is, the range was narrowed between 75 to 90% of parity. It provided for different levels of support to three classes of products, such as Basics, Designated non-basics and Non-basics.

It provided a four year period of adjustment in shifting from the old to modernized parity. The outbreak of the Korean War in June 1950 again placed emphasis and some concern in 1951-52 on increasing output.

Support levels therefore continued unchanged at 90% until the legislation of 1954. This Act authorized movement to flexible supports for 1955 crops suggested in the 1949 legislation. Noteworthy was the amendment affecting the wool program. Here direct payments were authorized at 90% of parity for the purpose of stimulating wool production.

### Next The Soil Bank

The next legislation modifying the 1949 Act was the Soil Bank plan. The purpose again was an attempt to strengthen measures to *reduce production*, where former procedures were largely ineffective. Direct payments were authorized to producers who were willing to rent acreage to the government for the purpose of holding it out of production. This Act also provided a method whereby land may be held out of crop production for longer periods and where the land would be maintained under approved conservation practices.

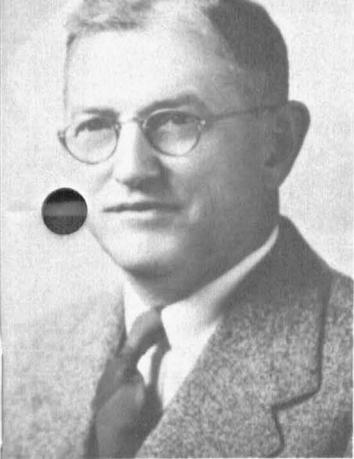
### A Look Backward

In looking backward, the programs have usually established as one of the goals the improvement of farm income. In fact, in the recent legislation the parity income concept is specifically spelled out. But the devices used to attain this goal continue to be loans and purchases of commodities in an attempt to raise prices.

This method has raised prices but contributes little to specified income goals for some sections of agriculture. Again in looking backward at the programs since 1946 and judging by the methods used, one can wonder, *if not* our *real problems* are those in establishing appropriate goals and then selecting appropriate methods to attain these goals.

### Can Learn From The Past

Last summer I noticed an inscription at the entrance of the National Archives Building. It read, "What is past is prologue". We build on the past. True we hear it said, "Let's have a fresh approach, some fresh ideas". But somewhere along the line we are forced by human incapacity to consider the past. The past provides us with a platform to stand on to launch out to the next stage of development whether it's farm programs or another satellite.



Dr. Frank Miller

**B**ACK IN THE 1820's the application of steam power to spinning wheels, looms, ships, railroads and many other types of production and distribution equipment made it necessary for workers to acquire new skills and to move to new locations.

On several occasions workers gathered into groups and went from factory to factory smashing the power equipment

that was driving prices of their goods down to levels that made it difficult for hand workers to earn a living. The changes that took place 150 years ago are referred to as the "Industrial Revolution."

We look back upon them as evidences of progress, and none of us would like to go back to the hand methods of production or to anything less than current high levels of efficiency. To do so would materially reduce our present level of living.

### Phenomenal Results

These changes are even more striking than those that began in industry about 1820. The result has been a phenomenal increase in capacity to accomplish work. In 1820, one farm worker could produce food and fiber for four people. In 1920, he could support eight people or twice as many as a century earlier. Now he can support eighteen or  $4\frac{1}{2}$  times as many as in 1820 and  $2\frac{1}{4}$  times as many as in 1920. At the time this agricultural revolution started, the organization of farms was geared to an entirely different level of technology. Efforts to maintain the old organization while adopting modern equipment and new production methods have led to most of our difficulties in trying to make adjustments that would keep farm income in line with returns in other industries and other types of work. A great deal of confusion has grown out of failure to classify data accurately in analyzing what has been happening on farms. We have used averages for all farms and covered up a great many of the facts in these averages.

### Two Types of Problems in Missouri

Missouri farmers are confronted with at least two

# What About Today's Farmers?

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## Revolution In Agriculture

In the past 25 years, agriculture has gone through a similar revolution. Application of the internal combustion engine to farm equipment has increased the rate of accomplishing work and made old types of farm organization almost completely obsolete.

In 1920, Missouri farmers had 7,889 tractors. In 1954, they were using 183,105. In 1920, combines were not listed as a part of the equipment on farms. In 1954 Missouri farmers were using 44,572. In 1920, most of the cows in Missouri were milked by hand. Now more than 80 percent are milked with machines.

The dairyman has moved through sale of country butter, shallow pan separation of cream and sale at a cream station, the water separator, the mechanical separator, sale of whole milk in cans to use of bulk tanks. The threshing machine has disappeared. Very little corn is harvested by hand and the picker-sheller is beginning to replace the mechanical picker.

types of problems: (1) those associated with inadequate land and capital resources, and (2) those associated with proper combination of resources for highest net returns.

The farmer who is trying to meet his operating cost, and earn a living for his family, by producing enough to support eight or fewer people is in competition with a neighbor who has enough land and equipment to permit him to produce at a level that will support eighteen or more people.

The farmer who is meeting the needs of eighteen people may be doing very well financially, while the man who is supplying the needs of only eight people is having great difficulty in earning a living for his family. The problems of people in these two groups should be separated in trying to think through the measures that can be used in setting up programs for the benefit of agriculture.

The data presented in Table 1 divide farmers in Missouri into two groups. The figure 183A in the column on the left means 183 acres of cropland. The data in the

column headed by this figure were taken from the analysis of farm records from Northwest Missouri. On these farms 690 standard days of work were required to take care of the enterprises. The farmers and their families supplied 592 of them and hired other people to do 98.

The average investment rounded out to the nearest hundred, was \$67,000. Cash income from the sale of products was \$17,261; the other incomes was \$1,994, making a total of \$19,255. Then, of course, the operators had some expenses. The total was \$13,745, including wages for labor that was hired.

The return to capital and family labor or differences between income and expenses was \$5,510. If 5% interest is allowed on the \$67,000 investment, the return to the farm family for their labor and management was \$2,167, which was \$3.66 for each standard day of work they accomplished.

#### Data From Ozark Area

Data in the second column of Table 1 are from the Ozark section of Missouri. Some of the farmers who kept these records were dairymen. They had enterprises that required 562 standard days of work, 139 acres of cropland and an average investment of \$35,000. The farmers did 517 days of work and hired 45 days of labor. They had average incomes of \$15,546 and \$10,802 of expenses. Their net farm income was \$4,744.

If 5 percent interest is allowed on average investments of \$35,000, returns to the farm families for their labor and management were \$2,992 which was \$5.79 for each day of family labor put on the enterprises on these farms.

The weather was dry in some parts of Missouri in 1955. Crops did not yield as well as they have yielded on the average or in the best years. Despite this fact, total returns to families who were operating good farm businesses were reasonably satisfactory.

The data in the next two columns of Table 1 are from a survey that was made in Dent, Madison, Ripley, St. Francois and Wayne counties. Class 1 to 4 farms are those with gross sales of \$2500 or more. The operators had an average 154 acres of cropland. They had enterprises that required 279 standard days of work, which is just about a one-man farm.

The average investment was \$19,500; the average income with adjustments for inventory changes was \$5,470. Expenses were \$3,570, leaving a return of \$1,900 to the farmer and his family for their labor, capital and management. If interest on the \$19,500 investment is subtracted, the return to labor and management is \$921 or \$3.71 for each standard day of work put on the farm.

#### Very Low Income Group Studied

The other group of farms in Economic Area 8 represented by data in the right hand column were completely inadequate for the support of a farm family.

The operators had an average of 70 acres of cropland. They had enterprises that required 160 standard days of work. The family worked 154 days and hired somebody else to work 6 days. The average investment was \$11,300; the total income was \$1,899, and the expenses \$1,277. The net farm income was \$622. After \$568 was subtracted for interest, only \$54 was left for labor and management. This amount paid the operators and their families only \$0.35 a day for the labor they put on these farms.

This fact leads to the observation that what is badly needed in a farm program is some way of moving people with inadequate resources over to the group with adequate resources. Accomplishing this task presents a tremendous problem.

The data in columns 1 and 2 of Table 1 show that investments of \$35,000 to \$100,000 are required to set up

TABLE 1--COMPARATIVE FARM INVESTMENTS AND RETURNS, 1955

	Good Farms <sup>1</sup> NW Missouri	Good Farms <sup>2</sup> South Missouri	Class 1 to 4 <sup>3</sup> Farms South Missouri	Class 5 & 6 <sup>3</sup> Farms South Missouri
Cropland	183A	139A	154A	70A
Labor Inputs	690 PMWU (592 family, 98 hired)	562 PMWU (517 family, 45 hired)	279 PMWU (248 family, 31 hired)	160 PMWU (154 family, 6 hired)
Investment	\$67,000	\$35,000	\$19,500	\$11,300
Income: Cash	17,261	13,305	5,613	1,436
Other	1,994	2,241	- 143	463
Total	\$19,255	\$15,546	\$ 5,470	\$ 1,899
Expense	\$13,745	\$10,802	\$ 3,570	\$ 1,277
Farm Income	\$ 5,510	\$ 4,744	\$ 1,900	\$ 622
Interest on Investment (5%)	3,343	1,752	976	568
Labor & Management Return	2,167	2,992	921	54
Return per PMWU	\$ 3.66	\$ 5.79	\$ 3.71	\$ 0.34

<sup>1</sup>Average of 14 farms cooperating in record analysis project.

<sup>2</sup>Average of 15 farms cooperating in record analysis project.

<sup>3</sup>Department Survey in 1956.

reasonably satisfactory family-farm businesses. As a student put it one day when we were discussing this problem, if a man had money enough to set up a good, efficient farm business, he wouldn't need to farm. That comes very near to being true.

### Part-Time, Residential Farms

Let us look at another group of farms not covered in the data in Table 1. They are part-time and residential units. The data from Economic Area 8 show that insofar as these operators are concerned, they get very little return from the farm business. In many instances operating expenses and depreciation exceed returns from the sale of farm products.

Under these conditions, the families would be better off if they invested the money they have in farm enterprises in bonds or some other good, solid security, took care of their jobs and forgot farming.

If capital were free, they would get low returns per hour for the labor used on their enterprises. If capital is rewarded at five percent, nothing is left for wages to family labor.

### Age Group Studies Are Revealing

One of the most important tasks in this world is to help people to adjust their activities to the resources about them so they will get the highest possible returns in terms of satisfaction of their wants. Sometimes the adjustments that must be made to achieve this purpose require people to move to other communities and to take up new occupations. Figures 1 and 2 give some indication of the extent to which such movement has taken place among the farm population in Missouri Economic Area 8 since 1940.

Figure 1 shows the distribution of farm population in 1940 by age and sex according to census data. This figure resembles very closely what is called a "population pyramid," which pictures the distribution of population by age and sex groups resulting from the normal processes of life and death. In such "normal" distribution, people in the younger ages form larger proportions of the total population, with progressively smaller proportions in each older group, thus forming the pyramid. The population of Economic Area 8 approximated this normal distribution by age and sex groups in 1940.

Migration changes this general form. Evidence of some out-movement is apparent in the 1940 "picture". The following 16 years brought significant and striking changes. The groups 20-24 and 25-29 years old, each ordinarily accounting for a larger percentage of total population than any other older group, constituted the smallest percentage of any group by 1956. (See Fig. 2) There is a strong suggestion here that young men and

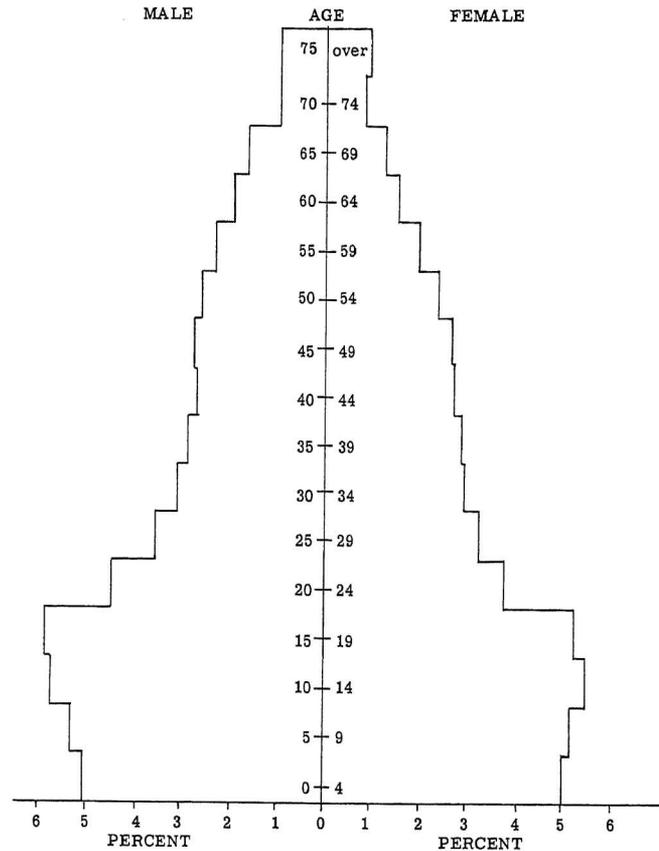


Figure 1. Distribution of the rural farm population in Missouri Economic Area 8 by age and sex, 1940.  
Source: United States Census of Agriculture, 1940, vol. II, pt. III, pp. 392-8

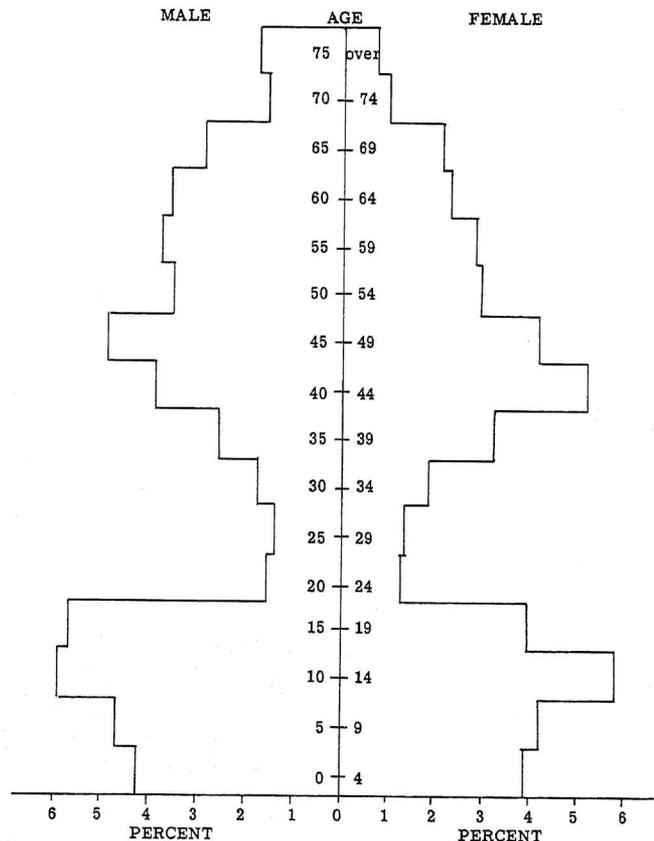


Figure 2. Distribution of the farm population in Missouri Economic Area 8 by age and sex, 1956.

women in very large numbers have been leaving Economic Area 8 as they become old enough to enter the labor force. Persons over 40 who find it more difficult to move or find less incentive to move, now constitute a much larger percentage of total population.

Speeded up and selective adjustment through migration apparently has taken place. The movement may be less pronounced in other areas, but it is taking place all over the state. It is a part of the process of adjusting people to the economic opportunities available to them.

Approximately 80 percent of the farm operators in this area have inadequate farm businesses. Price support programs may reduce rather than increase their net returns.

#### Aim is to Raise Farm Income

Our farm policy has been and still is to raise the incomes of farm families. Clearly the programs used to implement this policy need to be different for farmers with small businesses than for those with plenty of land, labor and capital for efficient operations.

Many of the operators of small farms are getting on in years. They are not carrying a full work load, but they

may be doing all of the work they are capable of doing. They cannot move into other occupations without training that will give them new skills. This fact suggests the need for vocational schools and on-the-job training programs to assist farmers who want to move into industry.

Those who have disabilities because of age, illness or other cause can best be taken care of by social security, old age pensions or other relief measures. They should not be included among farmers in setting up farm programs.

#### Adjustments are Necessary

Adjustments in many farm businesses clearly are necessary to achieve the goal of higher levels of income among farm families. Some families are doing very well financially now; others are not. In many cases, a larger acreage of cropland is needed. In other cases, soils need to be fertilized to raise yields and reduce the cost per unit of product, leaving a larger net income to the operator and his family. Price supports, compensatory payments and the other forms of subsidy that have been used in recent years are not designed to bring about the adjustments that are needed.

**"What About Today's Farmers?"** The topic presented by Dr. Miller, Agricultural Economist of the University of Missouri, was discussed informally by groups during sessions between speakers.



**A** SOIL BANK PROGRAM can be set up which will reduce farm output and increase farm income if the people of this country, Congress and the administration desire it, and if Congress will pass and the administration will administer a program that meets certain fundamental requirements. The 1956 and 1957 soil bank programs did not meet these requirements.

### The Farm Problem

Ever since the beginning of the 1920's, with the exception of the period dominated by World War II, farm surpluses have characterized the American agricultural scene. During much of this period, agricultural supplies have been at levels that would not permit movement in the free market at prices generally acceptable to the people of this country, a dilemma expressed many times in actions taken by Congress.

Since 1952 the United States agricultural plant has been geared to produce four to six percent more total agricultural products than the market would take at generally acceptable prices. Without effectively adjusting the aggregate supply, the attempt to maintain more acceptable prices than would prevail in the free market has resulted

# Soil Bank

J. CARROLL BOTTUM, PROFESSOR  
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in large storage holdings by the Commodity Credit Corporation.

Most studies indicate that when total agricultural production is varied one percent, farm prices change at least two to four percent in the opposite direction. Thus, a small change in the aggregate or total output has a large influence on price and income. This accounts for farm prices being severely depressed currently with rather moderate increases in supply.

### Alternate Solutions

Some have proposed bringing about the adjustment by expanding markets; others have proposed adjusting output. Expanding the market takes the form of: (1) increased exports, (2) increased use of agricultural products by industry, or (3) increased human consumption at home. In the main they are long-run propositions. It is difficult to get quick short-run changes. In the export area, the problem of disrupting established markets is encountered even in giving food away, except where there is a crop disaster in some country.

The real drive from the short-run standpoint has been aimed at adjusting production. Three alternatives here take the spotlight: (1) let lower prices shrink production, (2) use some form of production or marketing controls across the board, or (3) draw land out of crops by making payments either for non-use or a lower economic use—commonly referred to as soil bank approach.

Some might wish to add transfer payments to agriculture or price supports as a panacea. While these may ease the income situation for agriculture, they are like aspirin: they ease the pain but are not a cure.

### Prices will Adjust Production

Low prices will adjust agricultural production in the long run, but the process is slow. We know that when a supply of one commodity is large and the price is low relative to others, the farmer will adjust more quickly than when he has to adjust total production. This is the problem of shifting resources within agriculture.

However, if all commodities are in over-supply and there is no commodity to shift to, then the problem is shifting resources out of agriculture. This is a much more difficult shift and takes longer. The question is, "Does agriculture and society want to go through the price and income hardships of this course of action unaided as compared to the other alternatives?"

If the control route is to be effective, the controls must limit production of all major commodities. Too much substitution is possible in agriculture to solve the overall supply problem by reducing only certain crops.

The third alternative involves drawing certain acres of harvested crops out of production and shifting them

into grass, fallow or trees through rental or acreage reserve payments. This is the Soil Bank plan. Like any other control program it will not correct the long-time production problem unless the acreage is held out of production indefinitely.

Nearly any rational approach to decreasing or slowing down the rate of increase in agricultural output means some decrease both in manpower and harvested crop acreages. Therefore, if we are to have a farm program, it makes economic sense to develop one which eases this adjustment of putting cropland to other uses and aiding the transfer of some farm youth into areas of greater opportunity.

Thus, it appears to me that this is how the soil bank fits into the present situation. An immediate program more like the present acreage reserve may be justified, but the longer-run program should take on more of the features of the conservation reserve. A companion program would be one which aided farm youth in shifting into areas of greater opportunity.

A more appropriate name might be a "Federal Land Reserve Program." Land might be shifted in and out of the reserve to keep the agricultural economy in balance in somewhat the same manner that the Federal Reserve System operates to stabilize our general economy today.

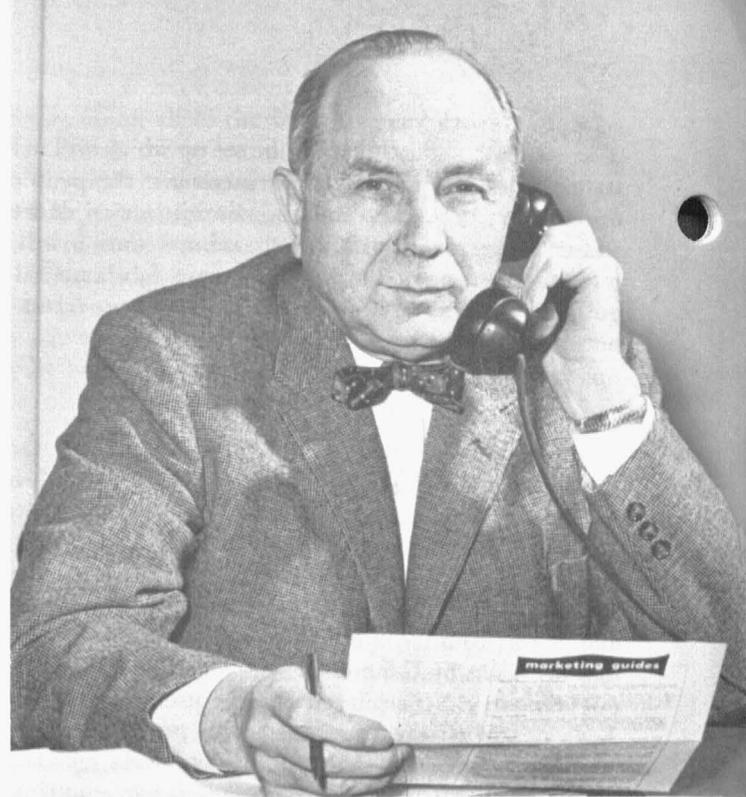
### Problems in Supply and Demand Balancing Programs

In adjusting and limiting the resource of land, output may be limited if the program is effective and the per capita income of workers in agriculture may be temporarily raised. However, over the longer run these gains tend to be capitalized into the price of land or to result in more people and capital staying or being drawn into agriculture. If more people stay in agriculture, the per capita income is reduced. Evidence indicates that gains from past programs have tended to be capitalized into land.

If the capital resource is limited, economic theory would indicate that here again gains might be made in the short run but over the long run they would again tend to be capitalized into land or result in more individuals being drawn into farming.

If the labor-management resource is limited, then the gains might be retained by the operators and workers in agriculture. This, however, would require the setting up of boards which would limit or ration the right to farm. The limiting of entry into farming conflicts with our basic values.

It is not meant by these statements to imply that farm price programs cannot be of value to farmers. They may be very beneficial during periods when agricultural incomes are depressed. They may speed up needed economic adjustments. It is also recognized that the foregoing are the long-run tendencies, and it may be some



He gave his ideas about the Soil Bank . . . J. Carroll Bottum, Purdue University Agricultural Economist, was a Farm Forum headliner.

time before the economic forces come into play that bring these about. Farmers may gain considerably in the short run and to some degree over the long run from certain types of price-raising programs.

### Requirements of an Effective Soil Bank

To make a voluntary soil bank work, payments must be large enough and administered so that they will shift some 30 to 50 million acres from grain crops, cotton and tobacco to grasses, legumes, fallow and trees. It cannot be made to work by programs which simply bring about shifts from one grain crop to another. Neither can it adjust production if it is used primarily as a crop disaster relief program. It must meet certain fundamental requirements.

*Requirement Number 1:* If a four to six percent adjustment in supply is desired, this involves a shifting of 30 to 50 million acres out of the 300 million acres now in grain, cotton and tobacco, into grass, fallow, idle or trees. This would mean a 10 to 17 percent shift in the 300 million acres now cultivated in grain crops. For a soil bank program to be effective, this is the kind of an adjustment involved. The question might be raised: "Why is a 10 to 17 percent adjustment required to obtain a four to six percent adjustment in supply?"

First, grass, legumes and fallow are, to a certain extent, complementary in crop production. Some increase

in the acreage devoted to these uses on many farms will increase the total quantity of grain produced if the land is rotated. Preliminary research studies at Purdue indicate that increasing these acreages of grass and fallow by ten percent (15 million acres) would not reduce total production if the roughages produced on the grass acreages were used by livestock. If they are not used, it would appear that something like a ten-million acre adjustment would still be required before any reduction would show up if the land were rotated.

Second, we can expect new farm know-how will continue to be applied in agriculture with or without a soil bank program. Therefore, if agricultural production is reduced, some five million additional acres of harvested crops will have to be shifted to the soil bank each year to equal the additions coming from new technology in an average year.

Third, the lower-than-average producing acres of land will be shifted into the soil bank, and since there is always some slack in establishing bases and compliances, another five to ten million acres will have to be shifted before we realize any reduction.

Thus, we might have a soil bank of 25 to 30 million acres and still not see any noticeable effect on aggregate production; but a further shift of 10 to 15 million acres out of the non-roughage crops might provide a significant adjustment in total agricultural output.

*Requirement Number 2:* Payments must be large enough to obtain the necessary farmer participation. An interregional study made in the corn, cotton, wheat and tobacco areas this year indicated that the rate of payment would need to be about 25 percent higher than the 1957 rates to get from two-thirds to three-fourths of the producers to participate.

*Requirement Number 3:* Either a total harvested grain, cotton and tobacco crop base or a total plowland base must be established for each farm. Which base is necessary depends upon the type of soil bank program selected. This requirement is necessary to avoid shifting other land into production as certain croplands are shifted out.

*Requirement Number 4:* Any soil bank program must be announced in sufficient time so that an educational program can be carried on with the producers before they make their planting plans. They must be informed of the program before they have completed their cropping plans and made commitments for feed, fertilizer and other items of production. This is an essential requirement for any program.

### The Current Soil Bank Program

The soil bank program did not become available until late in the 1956 planting season. The first year of operation resulted in 12.3 million acres being put in the acreage reserve program. This participation included corn,

5,450,000 acres; wheat, 5,654,000 acres; cotton, 1,113,000 acres; peanuts, 43,645 acres; rice, 28,003 acres; and tobacco, 31,671 acres. In additional 1.3 million acres were put in the conservation reserve.

Much of this land that went into the soil bank in 1956 was land in the drouth sections of the country. Thus, the reduction from the programs was only minor as compared to what it would have been without a program. Total farm output was actually one index point higher in 1956 than in 1955.

In 1957 approximately 20 million acres were put into the acreage reserve. This consisted of 12.8 million acres of wheat; 4.5 million acres of corn; 3 million acres of cotton; 204,000 acres of rice; and 80,000 acres of tobacco. In addition, nearly 7 million acres were put in the conservation reserve, making a total of 27 million acres taken out of crops. However, the July 1, 1957 crop production reports show the five basic crops reduced only 16 million acres below 1955, while the acres of other cultivated and grain crops were up 4.5 million acres. This was then a reduction of only 12.5 million acres in all cotton, tobacco and grain crops: less than half of the 27 million acres put into the soil bank.

In summary it must be said that the 1956 and 1957 acreage reserve programs have not been effective in materially reducing the agricultural output. Neither has the program been fully effective in distributing the funds appropriated for this purpose. It would appear that both the acreage and conservation reserves in 1957 have reduced the 1955 levels of cultivated and grain crops by about 12.5 million acres. This reduction should have some modest effect upon production. However, when we recognize that this reduction has been made on the lower producing acres, it is evident that the acreage reserve has not made a substantial reduction in our surplus problem.

A program with the level of payments a little higher and coupled with the soil base acreage for the cultivated and grain crops covering the entire farm as was used with the conservation reserve, would have been more effective. In the Cornbelt the reduction of the allotment in the commercial corn areas to the 27 million acre level, likewise, decreased participation substantially.

### Some Other Considerations

A question often posed in connection with making the soil bank effective is, "Wouldn't farmers under an acreage reserve program apply more capital and labor in the form of fertilizer and other ways and offset the adjustment resulting from the reduced acres in grain crops?" This may be true over the longer run if farm incomes are kept high or if grain prices are kept high by the program, but in the very short run it appears that this may be over emphasized.

The questions may be raised, "If agriculture were to

be brought into balance by an acreage reserve program, where would it end? Will technology make it necessary to have an ever-enlarging acreage reserve program with a growing cost to the Federal Government? Or will demand catch up with supplies and make it possible to release the acreage reserve acres back into production?"

The balance of evidence indicates that the withdrawal problem is likely to be a serious one if land is taken out uniformly on all farms. For this reason, making the payments to areas which can most economically shift to grass might be the most economically sound.

Some have proposed that about 10 percent of the soil bank payment each year be considered as a lien against the land if it is brought back into crop production without government approval in following years. This might be particularly effective and desirable if entire units or large tracts are retired.

The soil bank approach leaves the agricultural economy relatively free except for the adjustments brought about by soil bank payments. Carried on within reasonable limits, it avoids the complications in international trade that arise from production controls and high supported prices.

The soil bank will require tax dollars and if effective will raise food prices slightly. However, this is the very purpose of the soil bank to adjust output so that farmers may receive returns for their resources more in line with those received by the rest of our society.

The soil bank approach moves agricultural production patterns in the direction of more soil conservation.

**W**E MIGHT WELL start by asking ourselves, "What will be the economic setting in, we might say, 1967½." The period given in the program was 1965 to 1970; I will take the mid-point of that period.

We need to give consideration to the setting in the United States before we can make any rational decisions concerning the kind of farm policy that we would like to have or the kind, perhaps even the kinds, of objectives that we would like to pursue.

To summarize before I state what I think the economic setting will be—in my opinion the evidence points to a continued and rather rapid growth of the basic aspects of our economy—population and income.

### Population Often Underestimated

With respect to population, there is a considerable range in the expectations of individuals who are knowledgeable in this area. In general if we look at estimates

It does not preclude programs for increasing the market for agricultural products. In general, if we are to have a program which adjusts supply, it appears to be more in line with our accepted American goals and values than does a direct production or marketing limitation program. It does require the appropriation of Federal funds or the granting to some governmental organization, in order to raise funds, the right to tax marketed, agricultural products.

### Summary

If a market cannot be found for our expanding supplies of farm products and the free economic forces are allowed to work, some of our high cost grain crop producing areas will shift to other uses. The movement of human resources out of agriculture alone is not enough to bring supply and demand into balance. An intelligent and properly administered soil bank program can ease this shift. Eventually, it should be directed toward shifting the marginal cropland to other uses. In the early stages more emphasis may be given to uniform shifts throughout the country to obtain more immediate, but temporary adjustments.

In developing farm programs in our dynamic economy, the adjustments that the normal economic forces are bringing about should be recognized and farm programs should be developed to facilitate these adjustments rather than to retard them or maintain the *status quo*, if we accept economic progress as one of our goals.

# Looking Toward 1965-70

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that have been made in recent years, there has been a distinct tendency to underestimate the population even for periods as near in the future as five years. Consequently, I think in terms of this experience we might well take what is the highest estimate of the Bureau of the Census as to the population in this period.

If we do that we would estimate somewhere around 200,000,000 people living in the United States ten years hence, compared to the more than 170,000,000 that now live in the United States and compared to 152,000,000 in 1950. I think it is remarkable that in a period of about eighteen years the population in the United States will probably grow about 50,000,000. I am here starting from 1950 and not from 1957. So on the one hand we can look forward to a substantial expansion in the total number of people in the United States.

The other aspect of the basic economic setting I will mention is that to the real income per capita. What is likely to happen on this front? Here again we may bear in mind what has been happening over the past decade or two and try to forecast this into the future.

### Sharp Per Capita Income Rise Predicted

If we do that we come up with an estimate of an increase of approximately 25 to 35 percent in real national income per capita for the next decade. So striking an increase is hard for us to imagine in looking ahead, at least it is for me. Yet we should realize that an even greater growth has occurred over the past fifteen years—that is at the rate of about 40 percent per decade with an increase in real national income per capita since 1940 in excess of 65 percent in the United States.<sup>1</sup>

In terms of the changes that have been occurring recently an increase of this magnitude does not seem unreasonable. If we combine the change in population and the change in population and the change in income per person, and in using the term real income I am taking out any effects of changes of prices, we get a rise in the national income of approximately two percent in the next decade.

### What Will it Mean for Agriculture

The basic purpose for trying to outline what the economic setting will be roughly a decade hence is to determine what it is likely to mean for agriculture. Again drawing on our knowledge of the way our economy has functioned in the past, it seems reasonable that we might estimate an increase in total food consumption per person of about 20 percent during this period. Most of this increase will be due to the rise in population.

Roughly two thirds of the total increase will come about simply because there are more mouths to feed. The United States has now become so rich, basically, that ad-

<sup>1</sup>However, in 1940 there was considerable unemployment and some of the increase in real national income per capita was the result of achieving full employment. Since we now have

ditional income is not allocated in large proportions to food. I have estimated here in arriving at a figure of slightly more than 20 percent increase in national food consumption that the rise in per capita income of 25 to 35 percent would increase food consumption per capita by only 5 to 6 percent, and this I am afraid may be on the high side rather than the low side.

### Cotton Consumption Increase Likely

Thus far I have spoken solely about food consumption. The other things that are produced by agriculture, mainly fiber and tobacco, will probably have an increased consumption somewhat less than food. We feel that cotton consumption may increase about as much as population but the increased use of substitutes for cotton will prevent an increase in per capita cotton consumption.

Thus the increased demand for all farm products will be about 20 percent. I should hasten to add, however, that the fact that consumption or demand for farm products in the domestic market will increase by 20 percent does not mean that farm output will be able to increase by 20 percent during that period if supply is equal to demand.

The reason for this is probably obvious to you, namely that in recent years the total amount produced has been in excess of what has been consumed at home and what has been exported abroad without subsidies.

In the last three or four years approximately 5 percent of the total output of American agriculture has been either put in storage or disposed of outside of normal marketing channels, so when we ask ourselves how much more output would be required to meet the increase in consumption by 1967-68, we must say that the increase will not be more than about 15 percent. We must pay somewhat for the sins of the recent past in that the whole increase in demand will not be translated into an effective market for farmers by 1967.

I would like now to pose this question: Can agriculture produce this much more within a decade? Can the American farms turn out approximately 15 percent more output in the next ten years?

### Increase Of 1½ % Per Year

An increase of about 15 percent in the next decade, or 1½ percent per year, is roughly the same increase in output per year as one obtains by comparing 1956 with the average of 1948 to 1950. This increase was achieved despite the fact we have attempted to control output in the last few years, including 1956.

However, controls were not especially effective in 1956. Nonetheless, it is important to remember that the task ahead, in terms of increasing output, is roughly the same thing as American farmers have accomplished in the

full employment, we cannot realize such a gain in the next decade.



The audience broke into small groups to discuss specific ideas. This group is discussing agriculture's future. . . . Looking ahead a decade.

last seven or eight years. It only requires a continuation of that.

In a recent long-range study made and published recently by the United States Department of Agriculture an effort was made to determine the increased output required by 1975 and the ability of the American farmer to produce this greater level of output.

They concluded that compared to the early 50's roughly one-third more output would be required by 1975 and they also came to the conclusion that on the basis of the things we now know (this is not assuming a new technological advance, but essentially assuming the things we now know are put into effect in terms of past trends over the next 20 years) that it will be possible to increase farm output by approximately one-third with only a very small increase in the total land in crops.

Those who made the study estimated an increase of about six or seven percent increase in the total land in crops; higher yields and the increased efficiency in feeding livestock in terms of technical improvements we now know of, would be adequate to produce a third more output.

Their conclusion was: first, there was not likely to be any significant land shortage by 1975; and second, that even new technological developments which are reasonably sure will occur in that period of time would not really be required.

What kinds of changes can we anticipate inside agriculture in the forthcoming decade? In terms of the broad sweep the picture is fairly clear. First, we will certainly have more machinery being used in agriculture. There will be more machinery per acre, perhaps by as much as 50 percent, and much more machinery per worker. The mechanization of agriculture in the last two decades has been, I think, almost unbelievable.

We may note an increase in the number of tractors from a little more than a million in 1935 to over four million in 1955 or 1956, and the huge increase in the number of combines. It is unlikely that increases of these same kinds in the same type of machinery will occur over the next ten years, but new forms of machinery have been developed and perhaps will be developed during this time.

In recent years one of the big areas of expansion in

machinery has been in hay making equipment of various kinds and it seems to me that this expansion is just now beginning and will go a long ways in ten years. In any case I would anticipate, though it will be hard for many farmers to believe this, that perhaps by 1967½ the amount of machinery per acre might increase by as much as another 30, 40, or even 50 percent in the United States.

### Higher Yields on Forecast

We will certainly have higher yields. There seems to me to be no reason to believe that the recent upward trend in yields per crop acre will not continue. This is certainly what is predicted by the United States Department of Agriculture in their study and it will come about partly through the use of more fertilizer, insecticides, herbicides and some improvement in cultural practices.

Many of these things taken by themselves may not have dramatic effects and the changes that occur in any one year may not be particularly noticeable to you, but when you combine them over a couple of million of full-time farms and combine many small changes increased yields of 10 to 15 percent by 1967 do not seem unreasonable.

### Larger Farms Predicted

We will certainly have larger farms by that time. This trend has been going on quite drastically since 1940 and will undoubtedly continue for another decade.

### There Will Be Fewer Workers

Finally, there will be fewer farm workers. The reason for this is that output per worker in agriculture has been increasing as rapidly the past forty years as has output per worker in the rest of the economy, or say specifically manufacturing, where we have improved data.

Output per farm worker has been increasing at a rate of about 2 to 2½ and sometimes as high as three percent over the past 30 or 40 years, and this is on a compound interest basis—it is not a simple straight-line comparison of the beginning to the end. In fact, in recent years output per man in agriculture has grown more rapidly than it has in industry, but we need not anticipate that this will necessarily continue.

Why does this mean we are going to have fewer farm workers? It is quite likely that farm output will not expand more than about 15 percent but national income as a whole will expand about 50 percent, which means that if we look at all of the rest of the economy besides agriculture output will increase by more than 50 percent.

Since the change in the output per man will not be very different in the rest of the economy than in agriculture so that with an increase in the demand for farm products of only 15 percent and that for non-farm prod-

ucts greater than 50 percent, employment in agriculture will have to drop and the amount of the drop will have to be very significant because of the increasing productivity in agriculture.

Farm income per worker probably will continue to increase about as rapidly as non-farm. Going back perhaps more than a century and a quarter, we find that in the United States there has been a very close parallel between the movement of income per person in agriculture and income in the economy as a whole.

This parallel has been interrupted only during wars and the aftermath of war when farm incomes have risen relative to non-farm and in the periods of readjustment after wars when farm incomes have fallen relative to non-farm. But a look at farm income per person and non-farm income per person, shows that American farmers have essentially participated fully in the rapid expansion of the nation's economy, and this may be true over the next decade.

### Post-War Adjustment Is Over

One reason for the expectation is I believe that much of the adjustment of the post-war period, at least with respect to income, has already been fully made and that we can anticipate the two moving more or less in unison from now on. Farm incomes will remain in line with non-farm only as a consequence of adjustments which must occur.

The major form of this adjustment is that people will have to continue to migrate from farms to non-farm. The population has fallen from 30 million in 1940 to 25 million in 1950 and now down to 20,000,000 in 1957 and another very substantial drop will occur by 1967, or ten years hence. How far it will go I do not know but I would not be surprised if the farm population at that time were as small as 15,000,000.

If we had assembled in 1910 when the United States population was only about 95,000,000 and there were more than 30 million people on farms, I am sure we could have hardly imagined that it would be possible by 1957, with a population of 170,000,000 in the country as a whole, that a farm population of no more than 20,000,000, and of those only about one-third really engaged fully in agriculture, could now be producing more food and improved food for so many more people.

### To Face Some Old Problems

During the next decade, farm policy will be faced with essentially the same problems as have been true of agriculture for many years. The problems grow out of the changes that have occurred in our economy in the past and will continue to occur. They are the problems of adjustment to a growing and expanding economy which is becoming ever richer.

We should not believe, however, that agriculture is necessarily unique in these adjustment problems. It does involve the largest number of people in this situation, but there are other groups in our economy who have to make the same kinds of adjustments. Coal mining is one of these. There has been almost as dramatic an adjustment downward in the people engaged in coal mining in the United States in the past fifteen years as has been true in agriculture. It is expected that coal output is going to rise substantially by 1970 or 1975, perhaps in this case double, the general expectation is that employment in coal mining will continue to fall, because coal mining is only now starting its mechanization process in the same sense, perhaps, that agriculture started its in 1940, so large adjustments will be required.

There are other areas, such as the textile industry, in which these same kinds of adjustments will occur, and in others, but none as important to the economy.

In terms of the things that farm policy will be confronted with in the next decade, it does not seem that increased demand by itself is going to solve our farm problem. Our major farm problem is the fact that at the present time farm people are receiving substantially less farm income than are comparable people in the rest of the economy.

Output is going to continue to expand and it will probably expand about as fast as the increase in demand. There is, I think, some false hope generated or stated by some people that if we can only stand still for a while that the rise in population, the increased income, and so on, would solve our farm problem. This I believe represents the view or the hope of those who argue for 90 percent and 100 percent of parity.

Somehow or other, four or five years from now, the demand for farm products will be substantially greater than it is today and this will solve our surplus problem. Demand for farm products four or five or ten years from now will be larger than it is today, but as yet we have not found how to make agriculture stand still. It is a dynamic industry, a dynamic area, and output will continue to grow.

### Facing Problems of Adjustment

We cannot assume that we can close our eyes and return to a free market price system at this time, favorable as this might be as a long-run goal. The reason for this is that we have got to start from where we are and frankly this isn't a very good place to start from. But this is where we are, and during much of the next decade we are going to be concerned with problems of adjustment.

As a nation it should be our concern for people and not for farming or for agriculture as such that motivates our actions. I believe that three goals should be given

major emphasis in our efforts to redirect and modify our agricultural programs or our programs for farm people over the next decade.

The first goal would be that of equality of opportunity for farm people compared to the rest of the people in our society, consisting mainly of economic opportunity, but there are other problems, social and political that are involved.

The second goal would be that of an efficient agriculture that produces farm products at a minimum cost in terms of labor, land and capital.

The third goal would be that of a maximum of freedom for farmers as well as other people in our society that is consistent with our needs for security. I am here speaking of security in the personal sense and not national security.

These are very broad goals, but I would like now to very briefly spell out some of the implication of the goals. I am not going to make any effort to spell out the kinds of measures that would be required for these goals. Our program is primarily designed with the question: "How do we go about improving the present farm situation?"

The goal of equality of opportunity for farm people has two major implications. It means that the earnings of people engaged in agriculture should be roughly the same as comparable people earn in the rest of the economy. By comparable people is meant those with the same skills and capacities, same age and sex distribution in terms of members in the work force and other elements that are essentially used to determine the levels of productivity of an individual.

This goal does not mean, of course, that anyone and everyone and any number of people can receive this level of returns in farming. It does mean that certain adjustments have to occur and are required before this goal can be achieved.

### Should Develop Basic Abilities

A major implication of equality of opportunity is that young people living on farms should have their basic abilities developed to the same extent as other young people in the rest of our society. In many ways, perhaps, this is the most important of the two implications and that if the second is done the former might be more quickly achieved.

Having their basic abilities developed to the same extent as is true of urban youngsters means first of all a very close and sharp look at education in rural communities. It would mean spending more money on education of farm youth. It would mean trying to determine why farm young people receive fewer numbers of years of schooling than is true of young people in the rest of our society.

On the basis of data from the 1950 Census we know that rural farm youth go to school about two years less than is true of young people of the same age in the urban areas. This, incidentally, was not true fifty years ago. Why this has happened in the meantime, I do not know. I think it is something that our national policy for farm people should do something about. It may also mean that other kinds of facilities that are important for the development of physical facilities of young people as well as their mental facilities may not be as adequate in rural areas as in urban areas.

There is some evidence of this in terms of draft rejections. Most of the difference in draft rejections between farm and non-farm people related to manners that are at least partially concerned with education and not so much with the physical aspects.

Farm people have shown amazing ability to produce at minimum cost and to produce a lot of it. By and large, if the government does not interfere too much, farmers will continue to perform their function and, one might say, their duty to the economy in this sense very well, and very effectively over the years ahead.

Of the other major objective, freedom consistent with our need for security, is a goal Americans should never lose sight of in the world as it is constituted today. In the world, more and more people each year are losing their fundamental freedoms as the tide of communism has spread over the last decade. In our efforts to achieve higher incomes or somewhat more stability of greater security, I hope that we will not be driven to sacrifice our heritage of freedom. I do, however, feel that there are instances and cases in which freedom may have to be sacrificed for other objectives.

This is one of the complexities—the difficulties—in the formulation of policy. We are never able to pursue any one given objective to its ultimate. The reason for this is that any objective involves a cost, and the cost of a given objective is the sacrifice of another objective which we hold to be important. This may well be the conflict between freedom and security.

As farm people, and as a non-farm person myself, I perhaps have sacrificed freedom to make my own decisions in essentially being forced into the social security system. This is one aspect of security, if only a minor aspect.

That is, I do not have the freedom at the present time to spend this fraction of my income as I would see fit. But yet, I feel that in this case perhaps my loss of

freedom has been for the general good in that there are many persons who are less fortunate than I am who will definitely gain in terms of their financial security in their old age and financial security for their wife and children as a result of a national social security program.

Basically any program involves a loss of some of our freedoms that the case for accepting it should be a clear and definite one and that immediate necessity should not be the reason.

### Delegate To Soviet Union

In the summer of 1955, I was fortunate enough to be selected as a member of the American agricultural delegation to the Soviet Union. Their agriculture is organized very differently than is ours, and you are indeed fortunate that such is the case.

It is essentially true, given the organization of their agriculture, that each farmer each day is told what he is to do. On the state farms where everyone works for a wage, or on the collective farms where I can define it only as sharecropping on a huge scale (this is really doing a disservice to sharecropping, I want you to know) the men and women\* of these collective farms are organized in brigades of anywhere from 20 to 50 people. There is a brigadier who is the head of them and who is responsible to the chairman of the farm. Each day, the chairman of the farms and the brigadiers direct a person as to where he is to go, as to which field and what he is to do when he gets there.

At a luncheon, one of the many we attended, one of the members of our group was talking to a man who was in the Ministry of Agriculture in the Ukraine, and they had talked about American agriculture about which the Russians understood very little. One of the things which confused them the most was the idea that you could have in the United States three or four million individual farms operated by basically one or two people and that these people would be able to produce something, and not only produce something but produce a lot, produce more than they do in the Soviet Union.

Against this background is the fact that the person in the Soviet Union is told what to do each day. This man asked a member of our delegation, "Who tells the American farmer what to do each day?" The only thing the member of our delegation could comment in reply was, "His wife."

\*About 60% of the field work in the Soviet Union is done by women and not men. The men get all the easy jobs.



V. James Rhodes

ALL OF US ARE AWARE that many farmers are not getting economic returns comparable to other occupations. It's difficult to tie this down with figures because the averages hide so many differences. The 1954 agricultural census counted 4.8 million farms. One-fourth of these farms sold less than \$2500 in 1954 and yet were considered full-time commercial farms.

With gross below \$2500 there should not be much doubt that nets are completely inadequate in many cases. In addition, there were an unknown number of poor families among the 575,000 part-time farmers. Then there are about 500,000 migratory farm workers in the United States who were estimated to have earned \$900 per worker for the year of 1952. It would be hard to find a group of people anywhere in America who have as miserable a way of life as these migratory farm workers.

alike as peas in a pod. Certainly you can point to exceptional farmers who have larger incomes today than they probably would make in any other occupation. Perhaps some of you are better off this year than in 1951, but the averages show that the great mass of farmers are not.

There is no doubt but that the removal of federal income supports to commercial farmers in the next 3 years would cut that net income much, much more, perhaps by 25 percent. Many commercial farmers would have to cut drastically their living expenses and perhaps default on their mortgage payments if the federal government were to quit supporting farmers' incomes next year.

### "What Ought to be"

This discussion of "what is" has set the stage for discussing "what ought to be." People differ on "what ought to be" whether we are discussing the United Nations, speed limits, or farm programs so I won't be shocked if some of you think I am going too far and some think I am not going far enough. Disagreements, discussions, Farm Forums, TV's "Meet the Press"—these are the stuff of which democracy is made.

# Looking Toward 1959-'60

V. JAMES RHODES, ASSOCIATE PROFESSOR  
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## Agriculture is in Trouble

Someone may say, "All right, we accept the fact that poverty exists among the migratory workers and among many of the 2 million families on small, inadequate farm units. But what about the 2 million commercial farmers selling more than \$2500 per farm in 1954?" This is the backbone of our food supply—the farmers who produce about 90 percent of agricultural output. Evidence is mounting that commercial agriculture is in trouble.

Farm income per worker runs about half the average wage per factory worker. Since 1951 this farm income per worker has fallen 4 percent while the average wage per factory worker has risen 24 percent. Farmers aren't as

Some needs of farmers are obvious. *Need No. 1:* Eliminate poverty in the neglected one-third of agriculture. I am talking about the little farmers and sharecroppers and migratory workers. We need a vigorous program to raise incomes to a level considered acceptable in modern America. This should involve direct Social Security type payments for the aged and the disabled. Fortunately, Social Security is now beginning to help many farmers to retire. It should involve loans, educational help, and probably direct subsidies to those who are able to improve their incomes by improving their farms or by engaging in other activities.

The Rural Development Program and the FHA program are good starts but only starts. It should involve

measures which insure that all those who employ migratory labor provide reasonable working and living conditions and pay. In addition, other and more direct help for such labor is probably needed.

Low income farmers seldom enroll in farm organizations or come to extension meetings or otherwise exercise a voice that can be heard. Let's remember that agriculture's claim is for equity. Agriculture's claim for parity income was established in the McNary-Haugen battles of the 1920's and was written into law as an objective in the Soil Conservation and Domestic Allotment Act of 1936. Equity still is our primary justification for any farm program. Surely we cannot fight for equity for commercial agriculture and ignore one of the most downtrodden groups in our society.

### Research is Needed

*Need No. 2:* Maintain a sound and solvent commercial agriculture which provides comparable incomes to other occupations. For commercial agriculture we need for 1958-1960 continued attempts to expand demand by means of exports, development of new products, research on the consumer acceptability of products, and utilization research.

While we are working for parity for farmers, we might well consider equity for another group by promoting a food stamp plan to expand food consumption among very low income people. We cannot expect any sensational short-run results from demand expansion but its results are helpful. Moreover, demand expansion would be particularly important if there should be a business recession and some abnormal unemployment in the next 3 years.

### Farmer's Capacity to Produce Increasing

Because the American farmer's capacity to produce is growing faster than anyone dreamed, commercial agriculture is even less adjusted than in 1952. Remember that output per farm worker has gone up 60 percent since 1940. Therefore, as another need commercial farmers need continued support of their incomes at present levels. This will probably require as much federal appropriations as for this coming year or perhaps even more.

The important thing is to obtain adequate and equitable income support. In any discussion about modifying the present programs, Missourians need to make sure they are not put to a disadvantage relative to other areas. Much of Missouri is always a deficit feed grain area. We saw the bottom fall out of hog prices in late 1955 with virtually no federal price support, and it could happen again before 1960. As another example, Missouri dairy farmers have been squeezed between the price levels of feed grains and dairy products.

There are some other needs. There is the need to encourage small industry in the larger towns in our rural areas. Most of our rural Missouri counties lost one to two thousand people between 1940 and 1950. As there are fewer farmers, there are fewer people working in towns to furnish farmers with goods and services. Many of your home towns have lost some grocery stores, or the bank, or—worst yet—the barber. Both population growth and population decline tend to snowball. The gaining of new industry can do much to aid incomes in your locality.

We must remember that plants are usually located for good business reasons and not for sentimental ones. A good location for a plant must be accessible to raw materials, labor, and markets. Our state has a Division of Resources and Development which brings the right towns and the right plants together.

Farmers need to see that its appropriations are doubled or tripled for the next two or three years if you really want your sons and neighbors to have opportunities to work near home. Likewise you need to give a boost to your local chamber of commerce or other civic organizations which are seeking new business for your town.

### Need to Save Family Farm

What about a need to save the family farm? There is as yet no evidence that the family farm is in danger. The family farm is getting bigger but it is not dying. The number of corporation farms has not grown. The amount of hired labor in agriculture has declined by one-third since 1930.

What about a need to encourage migration off the farm? The plain truth is that people always have moved from poorer opportunities to better ones whether the government encouraged them or not. Dramatic examples of this were the Children of Israel leaving Pharaoh's Egypt and the Freedom Fighters leaving battle-torn Hungary.

People have been leaving agriculture ever since 1940 whenever city jobs were available. Almost 5 million people have left agriculture since 1950. This is an amazingly large movement. Rather than trying to speed up this progress, I think that local, state and federal governments need to initiate programs to enable more intelligent and better prepared migration.

Our farm youth need to be trained both in farm and city skills so that *they* can choose the place *they* prefer. Older farmers who think they want to leave the farm should have access to an adult training center where they can learn some skills. Perhaps this can be modeled after the successful G.I. Training Program. Moving is a painful process and not one to be undertaken lightly.

Our need is to help all people on farms and in towns to find their best opportunities and to help them to avoid wrong moves. A big advantage of hometown industry is

that it helps young people to choose sensibly between factory jobs and farming. Likewise it enables farmers with inadequate units to become part-time farmers. Whatever we do needs to be done quickly for the problem is *now*.

### Need Improved Public Relations

Another need for our farm programs is better public relations with the taxpayer. The news of one colossal payment check to the big corporation farmer is enough to convince many taxpayers that *all* farmers get that kind of tax money. Some people urge the limitation of soil bank payments per farmer to aid the family farm. An even better reason is this one of taxpayer public relations.

We do *not* need more hastily thrown together farm programs which seem to benefit most the lawyers or other sharp and quick thinkers who spot the loopholes.

Our society has consistently refused to let those suffer who are caught by forces beyond their control—whether they are victims of natural disasters, old age, mass unemployment, or other financial difficulties. The free market is our best device for allocating resources, but its effects on farmers often have been and still can be disastrous. By this criterion most farmers deserve the help they have been receiving. It is unfortunate that some hastily written legislation has rewarded liberally those sharp enough to spot the loopholes.

### Need is for Income Support

It is true that the more efficient is any segment of the economy the more goods and services are produced for everyone. However, efficiency is increasing so fast in agriculture that farmers' incomes are being hurt. The fact

that supply continues to out-run demand suggests that the ingredient lacking is not efficiency in the aggregate but rather income support.

Our society has several goals including a stable and growing economy, political stability, and a fair distribution of incomes—as well as the goal of efficiency. Our society today has clearly shown that efficiency is not the only goal it cherishes. As Lauren Soth has said, "farm policy should be made with *people* in mind, not just crops and acres."

### Conclusion

Farmers will need substantial government programs 1958 to 1960. Probably everyone of us wish that it were not so. All of us know that government programs include regulations and that government regulations are a real nuisance. In 1948 and even as late as 1952, there were widespread hopes that government farm programs could be dropped. Some cold, blustery day this winter after you get the chores done, dig out your old issues of *Farm Journal* or *Successful Farming* or *Cappers* or any other farm magazine. Read the stories on farm policy beginning with 1951 when farm prices were good. See for yourself how the hopes of 1951 have changed as farm prices have fallen.

It is now generally recognized that for several years to come farmers will need much government help. Agriculture's public relations with the taxpayer is being endangered by bickering among farm organizations. Perhaps the greatest "need" of farmers is for farm organizations to compromise their differences and present a united front. Our disagreements need to lead to constructive actions not destructive ones.

# Increasing Labor Mobility

by  
D. GALE JOHNSON

“WHY DO WE WANT to increase labor mobility out of agriculture?” My conclusion here has been that if you take the quarter century in which our present type of farm programs have been in effect that their net consequence has not been that of significantly increasing the level of farm income from what it would otherwise have been.

Our farm programs, despite the fact that their short-run or intermediate objectives, in most cases were supposed to be that of limiting farm output have probably had the opposite effect. If you look at everything that has been done since 1929 and more particularly since 1933, the consequence of the whole group of activities together has probably been that of increasing farm output.

## Got Around Allotments

Why do I say that? First, farmers rather quickly found out how to beat or get around the acreage allotments. Professor Bottum this morning pointed out some of the reasons why acreage allotments have not been particularly effective in recent years. The same thing can be said about all of the earlier acreage allotment programs. When you cut down on the amount of land that you as farmers had, you adopted many ways of trying to make that acre of land go farther. And you did make it go farther.

At some rather crucial times, particularly in the late 30's, the farm programs did pour a rather significant amount of income into agriculture. There were three years in the late 30's in which one-fourth of the net farm operator income in the United States was due to direct government payments. As we study what farmers did with this money, we find that almost all of it was invested in

farm machinery and in buying additional fertilizer and items of this sort which resulted in greater output.

## Farm Programs Increased Farm Output

I believe that the farm programs when coupled with the consequences of the war, and other elements of the post-war period, probably had the effect of increasing farm output over the 25-year period and in general only operated to about maintain farm incomes in the same relative position to non-farm as would have been true in the absence of the program.

The increase in real income of farm people over the past 25 or 30 years has been due primarily to the consequence of the larger out movement of farm population which has occurred and the rapid increase in the output per farm worker.

What are the major factors determining the level of farm income per person engaged in farming. What is it, taking the country as a whole, that tends to be the most important element in determining how much income our farm people will have, how much they will be able to consume and how much they will be able to invest? Obviously, farm incomes are determined by or result from a whole complex of economic relationships in an extremely complicated situation.

I do think that a few brief things can be said that may help you understand why I place considerable emphasis on the problem of increasing labor mobility out of agriculture. Taken over a period of time, as long as a decade or so that the level of farm prices is not the major factor or even a very important factor in determining the level of income of farm people.

This is a rather disputed point in your mind and most of you are probably quite sure that the speaker has gone off his rocker entirely. I would just like to point out three different statistical comparisons. (See Table 1) These comparisons by themselves prove nothing, but I do believe they illustrate the proposition that I want to make.

## Tables Explained

In the first column I have indicated the years for three groups of comparisons. In the last column, are the parity ratios for the years in each of the comparisons. In these first three years '23, '24 and '54, the parity ratio is 89. The parity ratio, as you know is a ratio of the Index of Prices Received by Farmers divided by the Prices Paid by Farmers with a base of 1910-14.

TABLE 1--COMPARISONS OF DEFLATED AVERAGE ANNUAL NET INCOME PER FARM  
WORKER AND PARITY RATIO, UNITED STATES

Year	Avg. Annual Net Realized Income per Worker	Prices Paid by Farmers- Family Living (1947-49 = 100)	Deflated Avg. Annual Income per Worker	Parity Ratio (1910-14 = 100)
(1)	(2)	(3)	(4)	(5)
1923	\$ 480	64.0	\$ 750	89
1924	502	64.0	784	89
1954	1,764	112.4	1,569	89
1929	593	63.2	938	92
1936	487	50.9	957	92
1937	519	52.5	988	93
1953	1,943	110.8	1,754	93
1940	484	49.7	974	81
1955	1,738	112.0	1,552	84
1956	1,888	114.1	1,655	83

Sources: USDA, *The Farm Income Situation*, July, 1957, p. 25 and 27; USDA, *Agricultural Statistics*, 1952, p. 682; and *Economic Report of the President*, Jan., 1956, p. 209.

In the next set, we have the parity ratio being 92 and 93 for the different years. In the last set we could not keep it quite as stable as I would like but still the differences are quite small—81, 84 and 83. What I tried to do was select three different periods covering a decade or two in which the parity ratio was identical and then see what had happened to the average income per farm worker.

In these cases is reported the effects of price changes insofar as we can by dividing the money income through by the prices paid by farmers for items used in living. So the fourth column gives the resulting figures which are the estimates by the United States Department of Agriculture of the average income per farm worker.

These data exclude all non-farm income which, incidentally, has become much more important in recent years than it was in the early part of each of the periods. And given the estimates of farm employment, they tend to include a large number of people whose major occupations are non-agricultural. I did not want to refine the series to that extent because the point which I want to make here is that if we just look at changes occurring over the last three decades, we see that when we hold the ratio of prices received to prices paid constant, there have been very substantial changes in the level of farm income.

Between 1923-24 and 1954 we got approximately a doubling; between 1929 or the late 30's and 1953, we have an increase of around 85%; and between 1940 and 1955 and 1956, there were increases of roughly 65%. The ratio of prices received to prices paid was approximately the same within each of these periods so that we had, I think, really remarkable increases in the average income for farm people from the beginning to the end of these periods even though the parity ratio was constant.

#### How Important Are Farm Prices?

As we look at the adjustments that occur over a

period of time, farm prices apparently are not as important in determining farm income as we might otherwise think them to be. What then would I say were the most important factors in leading to these sharp rises in the income of farm people? I would say that there are two main factors of work, though there are also others. One of these, of course, is that the levels of income in the rest of our society have also risen, not quite as dramatically in these periods as have the incomes of farm people, but almost as much. The incomes of farm and non-farm people have tended, as I pointed out this morning, to move along fairly closely together over the last century or so and this is because in the United States we are basically a very mobile population and there has been a great deal of movement from the farm to the non-farm in the periods concerned here.

#### Rise In Output Of Farm Worker

The second major element behind this significant increase in the level of farm income has been the rise in output per farm worker. If we compare recent levels of farm output per farm worker with 1910 we find that it has risen to three-fold. One farm worker in 1956 had an average output almost as great as three workers in 1910; this includes the return on the much larger land and capital investment with which he was associated. A very large share of the increase occurred after 1929; the increase since 1929 has been about 2½-fold.

A major reason why farm income per worker has been able to go up so much since 1929 is that each farm worker is now producing much more than he was earlier so that even after we deduct out cost of the things that the farmers buy from the rest of the economy we find that he has 70 percent more income left than he did 25 years ago.

Another element in our answer to the question of why we want to increase labor mobility is the following proposition: It seems to me that a major aspect of our

national policy for farm people is that it should be the role of society and of government to help people adjust to changing economic conditions.

Though I have emphasized the large movement out of agriculture of the last 15 or 20 years I do not want to leave the impression that migration from agriculture to non-agriculture is a recent phenomenon. Though we do not have exact data on this point I have estimated from the information available that starting about 1880, in other words about 75 years ago, there started a net migration from agriculture into the rest of the economy.

Up to that time American agriculture was expanding sufficiently rapidly that the number of people born on farms was not adequate to supply the workers needed for our agriculture as it extended across the United States. The turn at about 1880 with the large excess of births over deaths among farm people meant that a net move-

would want to increase labor mobility from farms to non-farm is that, in my opinion, the major explanation for the rather significant differential which exists between farm and non-farm income lies in the fact a large out-movement is required.

If it should be true that jobs on farms would increase rapidly enough so that it would not be necessary to reduce farm employment each year as has been the case in the past, then no one who was born on a farm would need to change to another job. Then the gap between farm and non-farm incomes would very soon disappear.

### Gap Would Be Small

If it were true that only 250,000 people found it desirable in terms of differences of income to move from



Panel discussions provoked many comments from the floor.

ment of people off the farms was required. This net movement, of course, was not as large then as in recent years since the farm population continued to increase until 1915.

Even so I would guess that about 300,000 people left farms on the average every year from about 1880 to 1915 and under the conditions that existed at that time this was a rather large movement. The basic reason why we

farms to non-farm areas each year, the gap between farm and non-farm incomes would be very small. But the present situation, as has been true for the past 15 or 20 years, is one in which changing conditions require a movement of about a million people a year. It seems reasonable to me that given differences in taste and positions that when a million people do move a year, that the incentive required to move this large number must be quite

large and this incentive comes about primarily as a difference in farm and non-farm income. This is why it seems to me we want to take measures to increase the amount of mobility out of agriculture.

As important as increasing the amount of mobility is that of adopting measures which will make it easier to move so that a smaller differential will be incentive enough for a larger number of people to leave agricultural pursuits for non-agricultural pursuits. Under the present circumstances, with no kind of assistance or guidance from government or any other kind of organization, an income differential of perhaps \$1,000 is required to induce a million people to move annually from farms to non-farm.

It seems that by taking appropriate steps that we could perhaps reduce this income differential for the same amount of movements to \$400 a year or \$300 a year or some significantly smaller figure.

I think we should make up our minds as to whether this is the direction in which we wish to move. Once we have made up our minds, I believe that the program can be worked out that would achieve this kind of objective.

### Stresses Education

I would give greatest emphasis to that of taking direct steps to achieve equality in the preparation and the development of capacities of our young people on farms, improving the quality of the education, the amount of their education and other aspects of their general setting. This will not immediately affect the income differential between farm and non-farm people, but given a decade I think it would have a significant effect.

We must also consider the needs of those people who have now completed their schooling, but must make their decisions about the type of occupation they will follow. A variety of measures can be adopted. These would certainly include training in different types of work for older people who wish to move, helping individuals actually move.

The adjustment that is required for a farm family, and here we are speaking of a family rather than a young man or a young woman, is very difficult and severe. We have done studies at Chicago of such migrants. They have real problems in fitting into an urban community: the problem of finding a school in which their children will be happy; the problem of finding a church in which they can find themselves in the proper association with the other people in the church and with the church organization as a whole.

The problem of finding housing is serious in moving from farm to city. And finally, that of locating a job that is reasonably well suited to their own abilities. This is a rather hit-or-miss affair now and we find that many farm people when they do move have to change jobs several times. I think we know enough about the requirements of different jobs and the testing of individuals that much could be done to eliminate some of these problems.

### Summary

The amount of movement from farm to non-farm or of people of farms taking non-farm jobs and withdrawing from agriculture as a major occupation, such as we have had over the past several decades, has been primarily responsible for the fact that farm incomes have more or less kept pace with non-farms over the long run.

The problems of adjustment with which we are faced in the future are at least as severe if not more severe than they have been in the past. It seems reasonable that we might do something to try to help people who must move because of lack of opportunity in agriculture to make the best of their talents when they do move. It seems reasonable for us as a society to adopt those measures which would reduce the size of the incentive that is required—the size of the difference between farm and non-farm income that is required—in order to induce a million or million and a half people to move each year. Only on this basis will it be possible to raise the level of farm income relative to non-farm in the years ahead.

# Income Supplements

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**I**N RESPONSE TO A REQUEST from the Forum Committee for ideas of a new approach to the solution of the dilemma in which agriculture finds itself today after a quarter century of efforts to assist it to recover from the worst depression the present generation has ever known, the following suggestions are offered.

In some respects there have been added complications. Two of these should be acknowledged as they constitute new segments which add to the complexity of the overall situation. These are the acceptance by the overall economy of the exercise of arbitrary monopoly powers by major non-farm production factors and the domination of the pricing function by gigantic non-farm segments, all of which have been largely responsible for the continuing shrinkage of the agricultural share of the consumer dollar and the widening gap between farm and non-farm incomes.

## More Cash Needed To Farm

A further factor has been the growth of cash requirements in farming, which is necessitating the stricter exercise of business principles in farm production than that to which farm entrepreneurs have been accustomed. Many farm operators have been unable to achieve this shift in requirements for successful farm operation.

Our present situation as a result of the '29-'33 depression and government's efforts to relieve distress and assist agriculture to achieve the changeover from a small firm non-industrialized style of operation, including family ownership of all the production factors, to one where the factors have separate ownership, and where competitive industrial methods emphasizing large use of power, operating capital, and specialized business management dominate.

Where we have come in the past twenty-odd years can be briefly outlined.

In an effort to relieve agricultural distress we have:

Held farm product prices at an artificially sustained fairly high level. This has necessitated production controls as the whole economy worked out of that depression.

These admitted emergency measures have somehow come to be regarded as normal procedures. We thus operate under largely administered prices for major farm products.

We now find that this program is giving already well situated farm families additional incomes, but many are finding the going rough in spite of high product prices.

We have built up this agricultural adjustment into a major activity of government and political parties which those benefiting significantly, including government agencies and legislators, are naturally very reluctant to forego.



Prof. O. R. Johnson

## Program Has Grave Shortcomings

While the general design may have been quite appropriate in the emergency, more normal functioning of the economy reveals grave shortcomings of the program which emphasizes administered prices and production programs. These we find are benefiting more the larger farm operators, but are unsuited to assist small operators, and a serious burden to the public. It is this situation that the following suggestion is designed to relieve.

*What kind of an agricultural program do we want?*

Do we want:

1) A program that will aid those who need aid, and leave others free to pursue their entrepreneurial objectives, always within the limitations of their social responsibility?

2) Do we want a program possessing flexibility which permits expansion or reduction as needs change, and resources and standards indicate?

3) Do we want to restore price to its intended function in the market place?

4) Do we want to restore dignity to the agricultural entrepreneur by restoring to him the function of deciding what resource combination he shall use, considering his own needs and prospective demand for his product?

5) Do we want to banish the road block to international trade by marketing farm products at world prices and avoid "dumping" or two-price headaches?

6) Do we want to concentrate on conservation of agricultural resources as a national problem worthy of impartial scientific treatment rather than disguise it as a farm relief measure?

7) Do we want to provide guidance and assistance to temporarily needy farm families that have adequate capacity to become efficient, independent business unit operators?

8) Do we wish to limit assistance to only those who need it?

9) Do we want to place the responsibility of aiding those farm families who are in want, but do not have the potential to earn at least a hired year-round farm worker's wage, in the hands of already established welfare agencies?

10) Do we want to base need on production performance and some minimum adequacy level, with built-in termination requirements?

11) Do we want a program that can be operated with already existing non-emergency facilities unrelated to either price support or production adjustment agencies?

12) Finally, do we want a program that will not only aid worthy and capable farm families to get a start toward independent farm operation, but will encourage them to strive to improve their status as independent agricultural entrepreneurs?

*The Proposal—general objectives:*

First of all, this proposal involves an important shift from a captive price program with unavoidable production controls to one of emphasizing adequacy of production for sale which the farm family achieves. This could involve a very gradual shift-over or it could be more rapidly implemented.

Basically there are about three major objectives embodied in this program:

The first is to give temporary assistance to low income, small farm business operators who potentially offer promise of becoming independent operators, capable of functioning without assistance.

A second objective would be to end our habit of regarding those rural residents, who have no reasonable prospects or intention of becoming independent farm operators, as distress farm families and placing them under a better suited and already functioning agency in the non-farm welfare field.

The third objective would be to provide for those low income farm families who qualify for this assistance program an educational guidance and budgeting service which will expedite these clients' working out of the assistance program into a completely independent business organization. The total benefit to the low income families in the program would be dependent on their progress in improving resource use with the assistance and guidance of agencies already in the field and especially designed to assist such families in working their way out of a distress farm family income category.

*Who would be eligible?*

Eligibility for participation in this program would involve the following:

1) Any farm family that obtains at least 75 percent of their income available for living and saving from the production and sale of crops and farm animals or their products.

2) Whose total income for living and saving, including wages received for labor off the farm, is less than the average annual wage paid to a full-time farm worker in that community, and

3) Is in addition to a home and products which the farm contributes toward the family living. (Which is assumed to be comparable to those ordinarily furnished a full-time, year-round, hired worker.)

Those operators of farm business units that provide sufficient productive employment to furnish at least the minimum family income for living and saving indicated in No. 2 above would be ineligible for participation in this program.

*The Amount of Assistance Suggested.*

Assistance would be provided to supplement income for living and saving by an amount not to exceed five-

twelfths of a year's wages paid to yearly farm workers in the community as set forth above.

Such supplemental payments would be made under the following conditions:

1) Underemployment is indicated when the *products produced* in a year, when valued at local market prices, and when off-farm wages are added, fail to equal the annual wage of a full-time farm hand, after deducting out-of-pocket cash costs incurred in production, including cash rent or interest on borrowed capital for farming.

If the difference between these sums is one-twelfth of the annual farm wage, the family is underemployed by one-twelfth of a year, measuring employment in terms of production. If the difference is 50 percent of an annual wage, then the family is only half employed.

2) If underemployment as defined in the next preceding paragraph amounts to the equivalent of six months or fifty percent of a full year's employment, measured in production for sale, then the family shall receive five-twelfths of a year's cash wages, paid in six equal installments at one month intervals beginning in September, as supplemental additions to their income for the year.

If underemployment is found to be less than six months, but more than one month, measured in production for sale, then the family shall receive one-twelfth of a year's wage per month or major fraction thereof for up to two months underemployment compensation, and three-fourths of that sum for each of the next four months or any major part thereof.

3) No family shall be eligible to receive the supplemental assistance for more than three consecutive years, provided that if they have made notable progress in cooperation with the supervising agency toward a full-time employment program, this time may be extended to not to exceed five years. The amount of supplemental payment shall be recomputed each year.

4) No family earning for their labor less than one-half of a hired man's wages shall be regarded as a farm family for purposes of extending this assistance.

Admittedly this suggested amount of supplementation is low. It was purposely intended to protect the low income farmer and his family from hardship and at the same time give them every incentive to develop a more productive farming setup.

It is assumed that these supplemental payments should start in the fall when children start to school, and carry through the winter months.

We have assumed that the amount of assistance would vary as between areas, but that a safe guide would be the going annual wage rate in the community for farm workers. There is no fundamental reason why this rate could not be increased or decreased as the judgment of those providing the necessary implementation would suggest. It might well be more for a large family of small

children. The only thing which should be emphasized is that it should not be so liberal a supplementation as to discourage the individual from trying to work out improvements.

#### *Measuring Productive Employment*

The degree of employment shall be measured by the product output at current farm prices.

1) Budgeting technicians of the Farmers Home Administration are experienced in this field and have all the necessary current data for making the calculations. They shall be assigned the responsibility of appraising the resource use program of applicants and estimating its probable production, assuming a typical growing season, and applying average prices received by farmers of that area during the preceding two years.

2) These technicians will also be responsible for reviewing the results each year and assisting the client in developing plans for expanding the production program in the direction of full employment.

3) Their recommendations with supporting data will be major factors in determining rates of supplementation, time extension, and termination of such aid if the client fails to make progress.

4) Wages earned from outside employment based on non-farm community experience of the past two years shall be converted to equivalent months of employment in calculating the "month" units of underemployment supplementation for which the family is eligible.

Personnel in the Agricultural Extension Service in every state that has Extension budgeting programs and local representatives of the Farmers Home Administration are familiar with measuring the man equivalent value of the physical output from a farm, assuming a typical growing season.

#### **\$154 Per Month Per Farm Worker**

The average annual wage for a year-round farm worker in the United States in 1955 is estimated by the Department of Agriculture as \$154 per month or a total of \$1,848 in addition to a house and farm products. If we assume that a particular client in the program is able to produce an output equivalent to two thirds of the full year's production, he would fall short of a year's output by four months' wages.

It is assumed that the rate of monthly payments might be a full month's wage for a family that has produced ten-twelfths of a year's normal output of products. If they fall below that figure, the rate of assistance would be reduced to a maximum assistance equal to five months' pay for a year-round farm worker. If this is compared with the Social Security payments to persons eligible, it will be found to be somewhat better. It might well be that consensus of judgment would suggest a higher rate

than this or perhaps a lower one.

According to the estimates of the Department of Agriculture there were 1.22 million farm families in 1954 whose total sales were not less than \$250 per year and not more than \$2,499. It seems safe to assume that a good portion of these individuals would be eligible under such a program. It might be as much as a half of them.

If we assume that half of them would be eligible and the average shortage in product output is one third, as assumed above, the total aid required under these assumptions would be approximately one third of a billion dollars. If we allow 5 percent for administration, this would add another 15 million to the funds needed. If the field work were entrusted to a staff of qualified workers, such as Farmers Home Administration field men or Farm and Home Improvement (Balanced Farming in Missouri) agents of the Extension Service, and it required one such agent per county, the additional cost would be something like 16 or 17 million dollars.

#### Half Billion Dollar Need

Under this assumption it might involve an annual cost of approximately half a billion dollars to carry out this program. As nearly as we can learn, this would be a

much smaller expense to government in assisting low income but potentially promising farm families than is now incurred in production adjustment and price support programs. It is tied in with a constructive education and assistance program which gives clients a chance to become self-sufficient. It could be expanded or contracted as needs and public attitude toward the program indicated. It *would provide no supplemental assistance* to farm families producing for sale more product than the standard setup above.

It would leave price free to perform the function it is intended to perform, and would not require consumers to pay a price for their product unrelated to supply.

It would remove from our foreign trade problem the obstacle of dumping, which foreign purchasers face in using our surpluses.

No allowance is made here for the increased burden on non-farm welfare agencies in taking on the rural clients who would be ineligible for this program, but the suggested costs estimated above have been based on the assumption that about half the persons in economic classes 5 and 6 would be included in the program. Undoubtedly a goodly number of those in economic class 6 would not be eligible for this type of supplemental assistance to low income farm families.



C. E. Klingner

# Compensatory Payments

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**T**HE FARM FORUM COMMITTEE feels that any discussion of proposals for government programs for agriculture would be incomplete without some consideration to supplementing farm income by means of direct payments or compensatory payments.

Such a proposal is not new. In fact, we have such a program in operation for wool at the present time and it was used to encourage dairy production during World War II. It is likely to receive increased attention in the search for solutions to the farm income problem.

The principle feature of the compensatory payment program is to permit farm products to find their free market level and the difference between actual prices and the specified support price under the government program be made up by direct cash payments from the government to the farmer.

As an example, let us assume a support price on wheat was established at \$2.00 per bushel—all of the wheat produced and sold on the market sells for \$1.50 per bushel. Farmers would then be entitled to the additional 50 cents per bushel.

## Advantages of Such Program

Such a program has some definite advantages over existing price support programs.

1. It would permit farm products to clear the market and save the cost of storage. These costs currently amount to about one million dollars per day.
2. We would not have an accumulation of surplus stocks to depress market prices in succeeding years.
3. Consumers would benefit, especially when market prices were below support levels.
4. The quantity of products consumers bought at home and abroad should be increased.
5. Efficiency would be encouraged.

The program would not be without its faults. Some rather distinct disadvantages might include: One, the cost to the government could be high.

The U. S. Department of Agriculture recently made a study of the estimated costs of such a program. Assum-

ing supports of 90% of parity this study indicated the costs would be approximately seven and one-half billion dollars annually if production is limited to 1952-56 levels. Assuming no controls on production, the costs would be nearer ten billion dollars annually at the 90% support level.

Some advocates of the compensatory program feel these estimates are unrealistic. However, it would be very difficult to estimate the cost unless both the support level and the degree of control were determined in advance. If the support level should be lowered or if production would be limited to a smaller figure, the payments could be reduced. On the other hand, higher supports or more liberal controls would tend to increase cost.

Therefore, a second disadvantage would be the fact that controls of some kind would be needed. A third disadvantage would be one of determining the level of supports.

## Two-Price Plans Proposed

Several two-price plans have been proposed, all of which might be included under the direct payment of compensatory payment proposals.

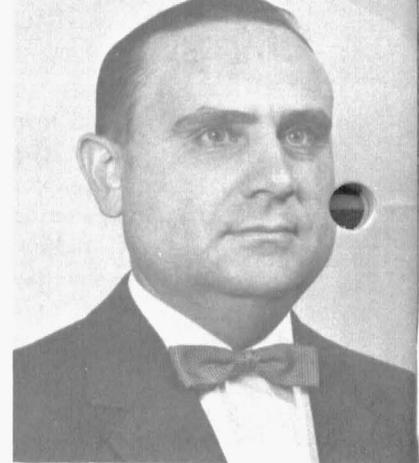
One such proposal would be to support commodities used for domestic consumption at the price level, while the excess above domestic consumption would be sold on world markets. The major objective to such a proposal would be the effect it would have on international relations. Most of our friends would not look with favor on a program of dumping.

Some consideration has also been given to the possibility of a two-price program where we would subsidize the production in excess of our domestic use for industrial uses. The general idea would be to make agriculture products more competitive with other products now being used for fuel or other industrial purposes. A great deal of research is needed before such a program would provide very much expansion in our markets for farm products.

The description of these proposals has been brief in view of our limited time. However, you may want to give some consideration to them in the discussion groups.

# Summation-- Review of 5 Proposals

by  
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Prof. J. W. McKinsey

## Homesteads in Reverse

“**H**OMESTEADS IN REVERSE” is the new name tag applied to a program of assisting farm families to establish themselves in urban employment.

This idea was suggested at least fifteen years ago. This program as now proposed involves giving direct financial assistance of say \$5000 to a farm family now operating a farm and giving all of its time to farming and producing not less than \$2500 of farm products annually.

Purpose of the grant is to help the family purchase a home in or near a city where it wants to live and work. Another stipulation usually proposed is that the family agree not to return to farming for five years.

This proposal would subsidize the heavy out-migration of agriculture that has been going on since 1880. Its proponents would want to hasten this movement in order to reduce production of agricultural commodities and to increase the family income of those families remaining. It is believed that a sufficiently large movement of farmers would correct the unbalance between agricultural production and consumption.

## Fertilizer Production Subsidized

It is argued in some quarters that fertilizer production, for example, is being subsidized through the conservation program. On the other hand, our society is attempting to cut production by acreage allotments and the soil bank. “Homesteads in Reverse” is a proposal to subsidize out-migration, and thereby reduce production. It would also allow families remaining in agriculture to utilize new techniques more effectively and thus increase individual family income. The proponents argue that the problem in agriculture is surplus farmers, and to encourage and assist some to move would enhance the income per family of those remaining.

## Soil Bank

A Soil Bank program can be set up which will reduce farm output and increase farm income, if the people of this country, Congress and the Administration desire it, and if Congress will pass and the Administration will administer a program that meets certain fundamental requirements. The 1956 and 1957 Soil Bank programs did not meet these requirements.

To make a voluntary Soil Bank work, the following requirements must be met:

One, thirty to fifty million acres of the three hundred million acres now used for crops needs to be shifted to non-crop use.

Two payments must be large enough to obtain the necessary farmer participation. A study made in the corn, cotton, wheat and tobacco areas this year indicated that the rate of payment would need to be about 25 percent higher than the 1957 rates if two-thirds to three-fourths of the producers are to participate.

Three, either a total crop base or total plow land base must be established for each farm. This requirement is to avoid shifting land to other crops.

Four, any Soil Bank program must be announced in sufficient time in order for producers to become thoroughly familiar with its provisions and make their farm operation plans accordingly.

## Shift in Production Areas

If a market cannot be found for our expanding supplies of farm products and the free economic forces are allowed to work, some of our high cost grain crop producing areas will shift to other uses. The movement of human resources out of agriculture alone is not enough to bring supply and demand into balance.

An intelligent and properly administered Soil Bank program can ease this shift. Eventually, it should be di-

rected toward shifting the marginal cropland to other uses. In the early stages more emphasis may be given to uniform shifts throughout the country to obtain more immediate, but temporary adjustments.

In developing farm programs in our dynamic economy, the adjustments that the normal economic forces are bringing about should be recognized. And farm programs should be developed to facilitate these adjustments rather than to retard them or maintain the status quo.

### Direct Income Supplement

Justification for government programs designed to aid farmers is based on the inequality of income of farmers and the non-farm segment. Yet, no program yet enacted and few proposed have embodied significant provisions for supplementing income itself. Price supports and soil conservation practices have been in the forefront. These measures have not assisted materially the farm people whose incomes were lowest. The following proposal is a plan for direct supplementation of low incomes.

First, a standard for measuring incomes to decide which ones are low enough to deserve supplementation and the extent to which they should be supplemented is needed. The annual average wage of a year-round hired farm hand might serve as a standard. Or the average annual earnings of factory workers in the United States might be preferred. For the purpose of illustration the annual average hired man's wage will be used.

### Establish Eligibility

Secondly, eligibility for assistance must be established. It is suggested that for a farm family to qualify it should obtain at least 75 percent of its income from the production and sale of crops and farm animals. A further suggestion is that eligibility require total income for living and saving, including wages received for labor off the farm, be less than the standard adopted but at least equal to 50 percent of the standard. The thought here is that a person who cannot produce at least 50 percent of the hired man's wage can hardly be called a bona fide farmer.

Third requirement is to establish the level of assistance which will be granted. Any such subsidy or supplement should be such that marginal recipients would be motivated to personal achievement to the end of avoiding subsidy. This plan proposes that the difference between actual earnings and the standard be made up by government payments to the full extent of the difference for a maximum of one-sixth of the standard.

Payments on differences between actual income and the standard in excess of one-sixth shall be on the basis of 75 percent of the differences above one-sixth, with the maximum supplement being five-twelfths of the standard for the farm family earning only one-half of the standard.

This proposal is not intended to replace all other farm programs. Those who are unable to produce half of the standard would be eligible for assistance through established relief agencies or vocational rehabilitation agencies.

Farm people with businesses capable of producing incomes above the standard would not be eligible for income supplementation. Special management assistance through the Agricultural Extension Service and similar agencies would still be available. A program to prevent disastrous declines in prices would be in order.

### Termination Provision Suggested

A termination provision would be an important feature of the proposed income supplement plan. Farmers receiving such supplements would have available to them planning and budgeting services through the Agricultural Extension Service, or the Farmers Home Administration, or some agency established specifically for this purpose. Participation in this program beyond a minimum time, possibly three years, would depend upon satisfactory progress toward a self-sustaining farm business under the direction of this agency. A maximum period for participation would be established. Five years has been suggested.

Special merits of this proposal are:

One, it attacks the low-income problem in agriculture directly with income supplements.

Two, it enables the adoption of a price program that will allow price to perform its function in the market place.

Three, it provides management and budgeting assistance to farmers who have potential of developing sound farm businesses. It recognizes the three distinct groups in agriculture insofar as need for government assistance is concerned and allows the development of a program to fit the specific needs of each group.

Four, it would be particularly valuable in assisting promising young farmers in getting established.

Fifth, it gives opportunity for marginal farmers to appraise their economic opportunities and make deliberate and wise decisions regarding changing to another occupation or improving their own farm business.

### Compensatory Payments

The proposal sometimes referred to as compensatory payments, or parity income payments, is not new. In fact, it is now in operation for wool and was used to encourage dairy production during World War II. However, it is likely to receive increased attention in the search for a solution to the farm income problem.

Such a program has some advantages over existing price support programs. It would permit farm products to clear the market and save the cost of storage. The prin-

iple feature of the program is to permit farm products to find their free market level. And the difference between actual prices and the specified support price would be made up by direct cash payments from the government to the farmer.

As an example, assume the support level on wheat at \$2.00 a bushel, and all of the wheat produced and sold on the market brought \$1.50 per bushel. Farmers would then be entitled to a direct payment for the additional fifty cents per bushel.

#### Additional Advantage Cited

The program has an additional advantage in that we would not have an accumulation of surplus stocks to depress market prices in succeeding years. However, the program could be costly, especially if rather strict controls were not used.

Lowering the support level would probably reduce the cost. Supports above 90 percent would materially increase cost.

#### Two-Price Plan

"Two-Price Plan" is the title given to proposals designed to provide one price for domestically consumed farm products and another price for that portion exported. Plans of this sort were proposed as long as thirty years ago and have been supported most vigorously at times when foreign exports were declining or when surpluses of exportable products were piling up. At the present time it is suggested most frequently as a solution to the wheat and cotton problems.

Details will differ slightly, depending upon whose plan it is, and to what crop it is to apply. The general characteristics can be seen quite clearly if we use a plan for wheat as our example.

A support price would be provided for that portion of the wheat that is used in domestic consumption. The remainder would move through the market at the world

price. The amount of wheat equal to domestic consumption which is to be supported would be divided by quotas among the wheat growers of the country.

#### For Matter of Comparison

For example, let us assume that at the time the program was instituted, domestic consumption was equal to 60 percent of the normal wheat crop. Let us further assume that it was decided to support the price of the wheat used in domestic consumption at 100 percent of parity, which is \$2.50 per bushel now.

If 2,000 bushels were considered to be a normal crop on your farm, you would be issued marketing certificates equal to 60 percent of your normal crop, or 1,200 bushels, which would be eligible for the support price. Any additional wheat which you produced would move through the market at whatever price it would command, the supposition being that it would move into export at world market prices.

If at the time your wheat was sold it brought \$1.90, then your certificates could be redeemed for \$0.60 per bushel, or the difference between the market price which you received and the parity price at which the support level was established.

#### Plan Would Eliminate Controls

The appeal of this plan hinges around the possibility of doing away with production controls in that wheat farmers could produce as much wheat as they liked if they could produce it profitably at the world price. The government would be removed from the storage business and the cost of handling and storage. Effect of surpluses would be eliminated. One shortcoming is that we as a country would be subsidizing foreign consumers of wheat and force American consumers to pay a higher price for it. If this type of program were pursued aggressively it might endanger our relations with other countries also producing these crops.





Farm leaders worked with University of Missouri College of Agriculture personnel in planning and presenting the 1957 Farm Forum. Above, left to right, J. Wendell McKinsey, Don Spaulding, C. E. Klingner and Webb Embry are making plans for the northwest Missouri Forum at St. Joseph.

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