

# How Fares the Husbandman?

## I. The Record

**I**F past experience is any guide, the number of prime televising hours devoted to the farm problem during the 1964 presidential campaign will be quite out of proportion to the number of farmers remaining in the nation's fields and pastures. The subject may well merit the amount of time devoted to it, however, since agriculture is still an important sector of the national economy and in some areas even a dominant sector. Few analysts would support the extreme "agribusiness" view that farming generates more than one-third of all the jobs in the nation, but all would agree that the fate of the farmer remains a key consideration in the business (and political) outlook.

### Surplus of statistics

But the farm sector develops surpluses of statistics as well as surpluses of wheat, corn, and farmers, so that almost any generalization about farm income can find some support in the statistics. On the one hand, the impression of a contracting industry can be based on the fact of a decade-long decline, from 92 to 77, in the parity ratio (the ratio of prices received to prices paid by farmers). On the other hand, the impression of a vigorous, healthy industry can be based not only on the phenomenal record of rising agricultural productivity but also on an impressive 50-percent gain in farm per capita income over the past decade. (This income yardstick measures the money earned, both on the farm and off, by farm operators and hired farm labor.)

The observer examining the overall record will see a substantial growth in recent years in the several measures of total farm income. For example, cash receipts have grown almost 20 percent over the decade to reach \$36 billion in 1962 and about the same figure in 1963. The Twelfth District, which accounts for

about 15 percent of the national total, and the rest of the nation also have recorded a generally rising trend in crop receipts as well as a substantial recovery in livestock receipts from the depressed conditions of the mid-Fifties.

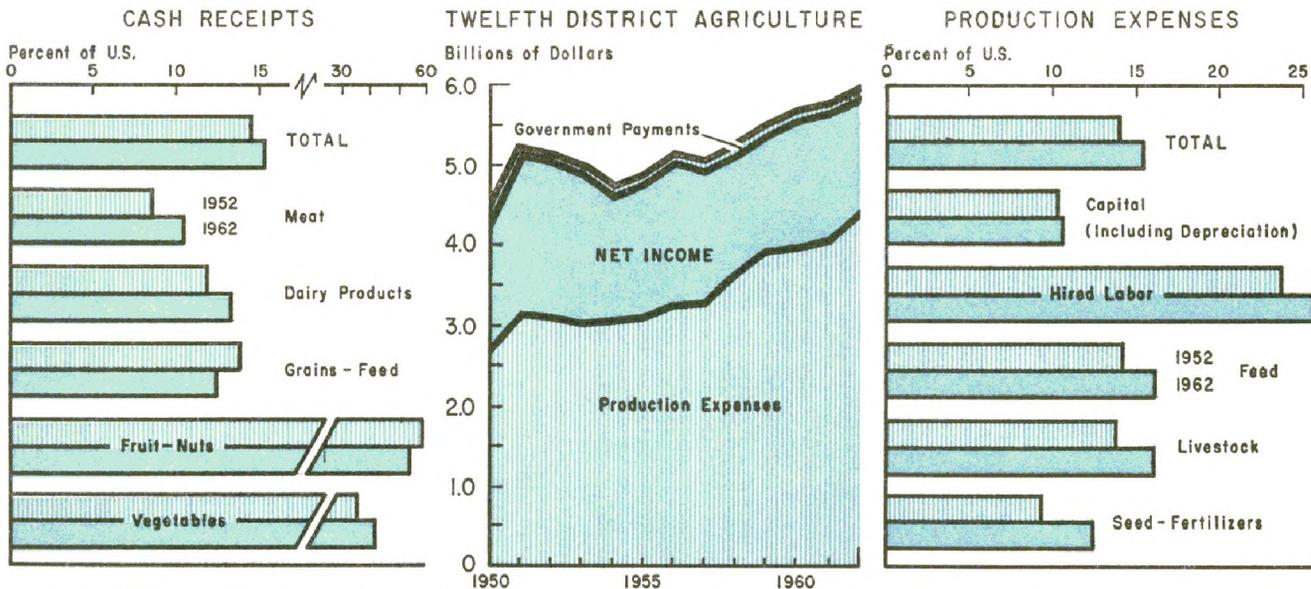
This recovery in the livestock market, incidentally, has centered mostly in meat products. The dollar volume of cattle marketings has recovered substantially, sparked as it has been by the rising consumer preference for beef products. Crop receipts meanwhile have recorded an impressive growth over the decade, despite declines in some major categories. Cotton, food crops, and vegetables have shown weakness over this period, whereas fruits and feed and oil crops have made good sales records.

### Inexorable rise in costs

There has been no question about the trend of production expenses, however, since costs have risen inexorably over the decade. The total, which now exceeds \$28 billion annually, has risen roughly one-third in the ten-year period. In the aggregate, the largest increases have been for mortgage interest, taxes, and livestock, but other cost items—principally hired labor—have increased much more slowly.

The resultant cost squeeze on farm operators has reduced their net income at least 10 percent over the past decade, to about \$12.5 billion in each of the last three years. But those figures may paint an unreasonably dark picture, since net income has improved substantially since the mid-Fifties; in fact, the drop in the farm population has recently permitted income per farm (even after adjustment for price changes) to match the early-postwar peak.

District farmers suffer squeeze in net income, but increase share of national production



Source: United States Department of Agriculture.

The same marketing and expenditure trends that have characterized the national farm situation are also visible on the regional level—only more so. Over the past decade, gross income has grown about 15 percent for Twelfth District farms and about 10 percent for farms elsewhere, but production expenses have increased about twice as fast as income both in the District and elsewhere.

Yet another picture emerges from an examination of personal income and employment data. The District's record of comparatively greater increases in production receipts and expenditures has gone along with a record of relative stability in farm personal income and farm employment. The rest of the nation, in other words, has experienced a much more substantial decline in farm employment and changes in farm income. But with all this, the District share of farm personal income was about the same at the end of the decade as at its inception; in 1962 as in 1952, California accounted for about 9 percent of the national total, and the Pacific Northwest (Washington and Oregon) and the rest of the District each accounted for about 3.5 percent of that total.

Behind the growth in the production aggregates (marketings and expenditures), decline in another aggregate (employment), and the rough stability in yet another aggregate (personal income), stands the crucial economic determinant — the amazing productivity of American agriculture. Throughout the post-war period, the growth in efficiency achieved by the farm sector has far exceeded the growth achieved by its counterparts abroad or even by the nonfarm sector at home. The farm producer has managed his inputs of land, labor, fertilizer, and machinery so well that output per manhour has doubled since 1950, as compared with only a one-third gain in nonfarm output per manhour in the same period.

**As you sow . . .**

But how well has the farmer succeeded in reaping for himself some of the bountiful harvest that he has sown? Some have obtained nothing—those, that is, who have been unable to compete in the modern world of mechanized agriculture. Others, however, have done quite well (from both farm and nonfarm income sources) so that the farm sector's postwar gains in per capita income have al-

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most matched its phenomenal gains in productivity. These gains have permitted farm per capita income to rise to about 60 percent of nonfarm per capita income—a level unapproached since the halcyon early-postwar years.

Some observers argue that the farmer has received very shabby treatment from the market and/or the Department of Agriculture, to be rewarded for his triumphs of efficiency with an average income so far below that available to his city cousin. But the allegation assumes that farm and nonfarm income can be directly compared, and this for a number of reasons cannot be done. The diversity of income sources (the numerator) and of income recipients (the denominator) is simply too great to support the claim of exact comparability between farm and nonfarm income.

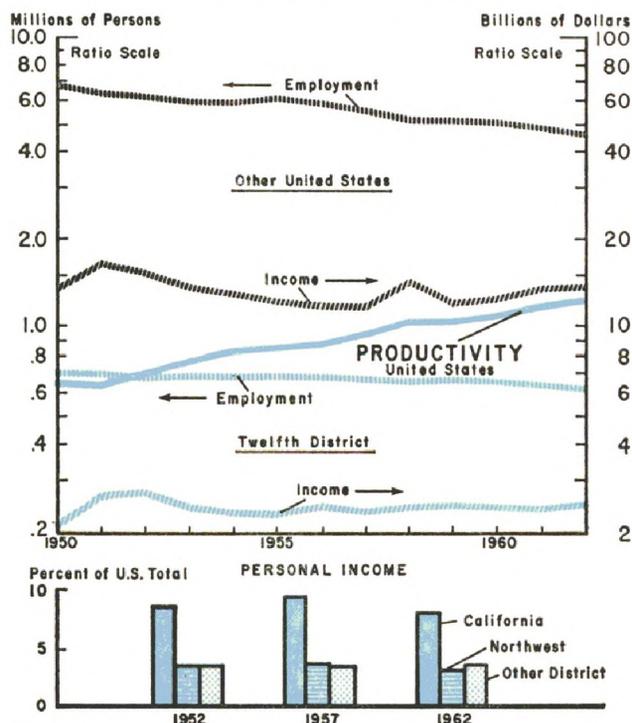
Total farm income would be greater, for example, if city prices were used instead of

farm prices in estimating one of its components, the value of farm-produced and consumed food and fuel. These items are priced at the price the farmer would receive if he sold them—but if the farmer purchased these same items at retail, he might have to pay roughly two-and-a-half times the value placed on them in estimating his income. Thus, in 1962, total farm income could have been about 10 percent above the actual estimate if a city price standard had been used in estimating the value of these farm-consumed items.

Again, total farm income would be perhaps 10-20 percent greater in the unlikely event that the farm population had the same age, sex, education, and working-force composition as the nonfarm population. The difference in per capita incomes between these two populations, in other words, must be traced in some part to the fact that the rural population has a smaller concentration in the categories which are generally the most productive age groups. Thus, only 19 percent of the farm population is found in the crucial 20-40 age category, as against almost 26 percent for the nonfarm population. This disproportion, along with the disproportionately large concentration of the farm population in the nonproducing categories of the very young and the very old, tends to lower average farm incomes in relation to average nonfarm figures.

Farm income would be comparatively greater, moreover, if comparisons were made on an after-tax rather than before-tax basis. This is so because income taxes are levied only on money income, and not on the large amount of nonmoney income (perhaps one-fifth of total farm income) received by the farmer in the form of either home-produced food and fuel or farm-dwelling rental value. City dwellers naturally are also free of taxation on nonmoney income, but such items constitute a much smaller proportion of their total income.

**Zooming productivity means stable farm income, fewer jobs**



Note: Productivity (agricultural output per manhour) based on 1957-59 = 100.  
Source: United States Department of Commerce, Bureau of Labor Statistics.

### The most essential fertilizers

If all such factors are taken into account, the returns to farm and nonfarm workers probably could be considered comparable when farm per capita income amounts to about two-thirds of nonfarm per capita income. Although this relationship has not yet been reached, it has been approached in the last several years, so there are grounds for optimism that a stable relationship may soon be achieved.

The improvement has not resulted because of the production of an ever-larger pie, but rather because of the division of the pie among an ever-smaller number of participants in the harvest ceremony. Farm employment, now at about 5.0 million, has declined about one-third since 1950. The survivors in the drive to transform agriculture into a modern, efficient industry are those who have had ample modern resources to work with. Thus, the 3 percent of farm operators who accounted for one-third of total marketings in 1960 also accounted for two-fifths of cash operating expenses and an equally disproportionate amount of farm credit, yet they accomplished all this with only one-fifth of the value of the nation's farmland. At the other end of the scale, the 57 percent of farm operators who accounted for only about one-tenth of total marketings suffered from disproportionately small applications of those most essential fertilizers, capital and credit.

This is the crux of the farm "problem." The nation need not worry about the survival of American agriculture, or even its efficiency, since the industry's phenomenal record of rising productivity attests to its underlying strength. Rather, in the words of Professor Galbraith, "What is at stake is the traditional organization of this industry. We are in the process of deciding between the traditional

family enterprise of modest capitalization and widely dispersed ownership and an agriculture composed of much larger scale, much more impersonal, and much more highly capitalized farms."

Emotion as well as economics, in other words, is a constant factor in the farm debate. President Theodore Roosevelt's Country Life Commission contended that national policy must aim "to preserve a race of men in the open country that will be the stay and strength of the nation in time of war, and its guiding and controlling spirit in time of peace." President Franklin Roosevelt's Secretary of Agriculture (Henry Wallace) argues today, as he did a generation ago, for essentially the same policy. Yet the migration from the farm continues, and at an accelerated pace.

### Reverse Homestead Act?

High farm productivity and high farm fertility encourage a constant movement of workers trained for farming into other occupations. This pressure, exerted through the price mechanism, may continue to provide lower incomes for agricultural workers than for the great majority of workers in other occupations. In view of this phenomenon, those who wish to raise the farmer's living standard while lowering the farm population (such as Professor Theodore Schultz) argue that the Homestead Act of a century ago should now be reversed, by payments to families now actively farming which agree to move out of agriculture and to accept nonfarm jobs. But the march of events may overtake this as it has so many other suggested solutions. The flight from the farm has continued for a half-century despite the existence of other types of subsidies—and, despite changing policies and unchanging exhortations, it is quite likely to continue as an economic fact of life.

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## II. The Prospect

**T**HE net income of the nation's farm operators has risen in each of the last three years, but the prospect is not very bright for further increases in 1963 and 1964. So far this year, net income has lagged because rising production expenses have more than offset a small increase in cash receipts. And now, according to the annual Department of Agriculture forecast, some decline is likely next year as well.

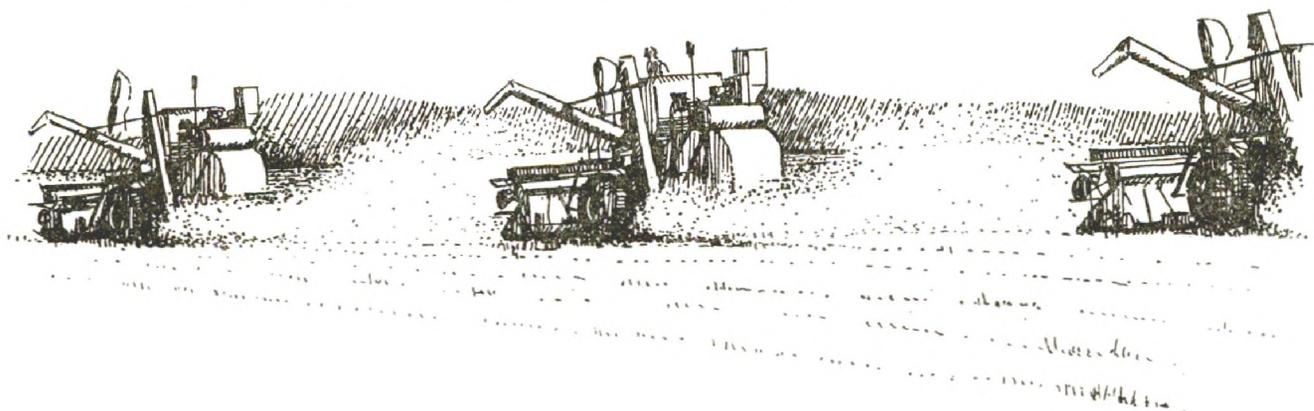
Twelfth District farmers may not be able to buck the unfavorable national trend in 1964, but they may well have done so this year, and thereby reversed a two-year decline in net income. District returns were aided early this year by rising citrus and potato prices; then, later, wheat receipts were stimulated, particularly in the Pacific Northwest, by a sharp recovery in wheat yields coupled with an increase in acreage. In the livestock sector, meanwhile, heavy marketings have kept receipts stable, despite lower average prices. Late-year returns may be adversely affected, however, because of a small, rain-affected cotton crop and a relatively poor price situation for fall potatoes.

The decision of wheat producers to reject the acreage-control and diversion-payment features of the Federal Wheat Program may seriously affect the income of the nation's farm-

ers in 1964. In the absence of acreage controls, price-support levels will drop even for those producers planting within their acreage allotments; and those producers overplanting their allotments will be completely ineligible for price support. The likely result is a decrease both in cash receipts and in government payments to farmers. With revenues thus declining and production expenses rising, net farm income may drop by 5 percent or more—a somewhat greater decline than is indicated for 1963.

### Price of the wheat vote

The wheat program effective this year and the program originally proposed for 1964 differ in two major ways. The program rejected in last spring's referendum would have reduced the national acreage allotment to 49.5 million acres from 55 million acres in 1963. The program also would have offered a two-price plan of support, along with a limitation on the volume of marketings at the higher support level. Roughly 80 percent of production, representing domestic requirements, would have been eligible for price support at a national average level of \$2.00 per bushel, and the remainder of the allowable marketings would have been eligible for support at \$1.30 per bushel.



## NATIONAL OUTLOOK FOR SELECTED FARM PRODUCTS, 1964

Item	Importance as source of cash receipts (Percent of total cash receipts, 1961-62 average)		National prospects —Change from 1963—	
	U. S.	12th District	Supply	Price
Beef	22.2	19.4	Larger	About the same
Hogs	8.9	0.8	Smaller	Higher
Lamb and Mutton	0.9	1.3	Smaller	About the same
Cotton	7.1	9.0	Acreage unchanged	65-90 percent of parity
Wheat	6.0	4.6	Larger	Lower
Grapes	0.5	3.0	Smaller	No estimate
Potatoes	1.1	2.7	Up slightly	No estimate
Peaches	0.4	1.2	Larger	No estimate
Prunes	0.2	1.3	Smaller	No estimate
Plums				
Apples	0.7	1.3	Up slightly	No estimate
Pears	0.2	0.4	Larger	No estimate

Source: Department of Agriculture.

When wheat farmers turned down this program they were free to plant as much wheat as they pleased. But most farmers apparently responded to other inducements and continued to conform to their original acreage allotments. If they had not, they would not only have lost payments under the Soil Bank program as a consequence of overplanting, but might also have lost part of their acreage history, which would have reduced the acreage they could plant to wheat in the event of a later vote in favor of the mandatory control program utilizing acreage allotments. And that vote may occur sooner rather than later; in the spring of 1964, wheat farmers will be offered the same alternatives for the 1965 crop that they were offered this year—unless, of course, a new law offers a different program.

### Frozen orange juice

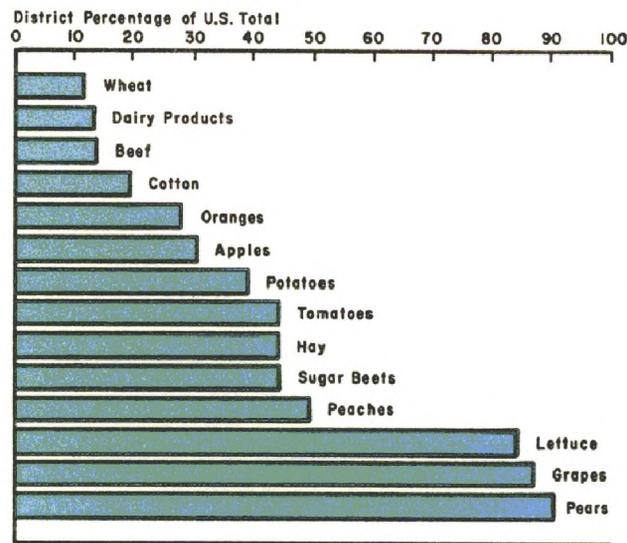
The nation's citrus producers, many of whom incurred severe freeze damage last winter, have seen their hopes for the 1963-64

season chilled as well. Current production forecasts for Florida, which in recent years has accounted for about 75 percent of all oranges produced in the nation, are for a crop 30 percent below normal and smaller even than last year's short crop. Output in Texas, an even greater freeze victim, will probably be less than 10 percent of the 1957-61 average crop. California and Arizona look for increased orange output, but these gains will only partially offset the loss of production in other major producing areas. The grapefruit crop, influenced by the same unfavorable growing conditions in Florida and Texas, will also be smaller than usual, even though California and Arizona producers are expecting a heavier crop.

Dedicuous fruit, unlike citrus fruit, has favorable production prospects for 1964. Cherries, pears, and prunes, each of which had a weak year in 1963, are expected to lead the rise in output. As the production of these fruits is concentrated in this District, the area's growers should benefit greatly from

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### District dominates vegetable, fruit markets, but not staples



Source: United States Department of Agriculture.

their improved production prospects. On the other hand, the 1963 record production of edible tree nuts will be very difficult to match next year. The pecan crop was particularly large in 1963 — a record high and 4 times larger than 1962's small crop — while California's almond crop was almost 50 percent larger than in the preceding year. (Except for pecans, District states account for all of the nation's commercial production of edible tree nuts.)

Supplies of red meat are scheduled to rise in 1964 in line with the gain in population, thus maintaining consumption at about 170 pounds per person. The Department of Agriculture expects beef cattle numbers at the beginning of 1964 to be 5 percent greater than a year earlier; nonetheless, in view of the growing consumer preference for beef, little change in beef prices is anticipated. Pork prices, on the other hand, are expected to be higher since the relatively high price of feed

may initiate a decline in hog production in coming months. In the poultry line, a late-year expansion in broiler production is expected to materialize, and a modest increase in turkey production is anticipated; the latter increase could be much greater, however, because of the increased number of birds that producers intend to maintain for the hatching season.

### District decline?

On the basis of these conflicting trends, District farm operators expect to finish 1963 in good shape, but they are somewhat less optimistic about 1964. This year, several factors contributed disproportionately to the strength of farm income: the freeze-boosted returns of citrus producers, the sharp upturn in wheat receipts, and the substantial expansion in livestock marketings. The "temporary" citrus situation may be more than temporary; some time may be required for Florida and Texas production to completely recover, and in that case, the returns of District citrus producers may be maintained although not necessarily increased. But returns from wheat marketings may fall somewhat, because of the failure of winter wheat acreage to expand as rapidly as prices decline. (Nonetheless, increased plantings of a new high-yielding wheat variety may minimize the reduction in returns.) Moreover, the rapid rise in cattle feeding activity appears to be tapering off; early in the year there were almost 30 percent more cattle in District feed lots than a year earlier, but now there are only about 3 percent more than a year ago. On balance, then, District farmers may suffer a decline in net income in 1964, because of the weakening of the factors that so strongly dominated the 1963 upturn.