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AGRICULTURAL POLICY for the future should be built around the free market—"farm commodity prices should move up and down at market-clearing levels"—and should seek to raise farm incomes by reducing the excess capacity of agriculture, according to the recent report of the Presidential Commission on Food and Fiber. The report, intended to form the basis for new farm policy legislation, suggests that market orientation of both domestic agricultural and foreign trade policies would promote the efficient use of resources and increase the economic well-being of the United States and the world.

Economic events of the Sixties have created the opportunity for revising farm policy:

The burdensome surpluses of the late Fifties and early Sixties have vanished and Government support prices of many farm commodities are close to world market prices.

Foreign demand for food is growing and the long-range prospects for commercial exports of soybeans and grains are favorable. Feed grain and soybean exports have about doubled since 1960, and wheat exports have risen nearly a third.

Agricultural technology is advancing so rapidly that changes in farm size, location of crop production and agricultural employment are lagging. Between 1950 and 1965, farm output increased 35 percent, while the labor required declined 45 percent. Projections to 1980 indicate that the need for farm labor will decline about a third, and cropland will be in surplus beyond that date.

The commission agreed that freely functioning markets are needed to guide changes in agricultural production and resource use but was divided on how long the adjustment to free markets should take. The majority of the 29 members recommended that modified programs of supply management "be retained until the problem of excess capacity in farming is alleviated and farmers are able to earn incomes from the market that are comparable to non-farm incomes." The minority urged that "price support and loans should be systematically reduced and production restraint removed over a specified period."

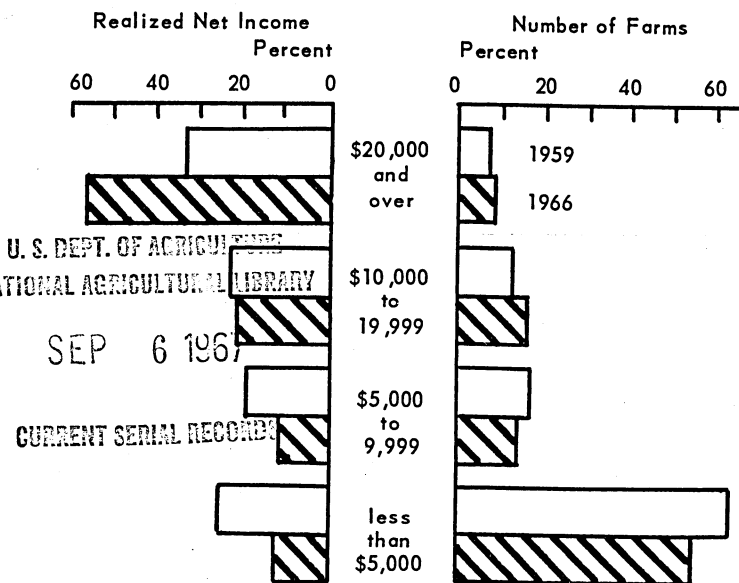
The commission recommended (1) that price supports be set below average world prices to make U. S. farm products more competitive in world markets and that direct payments rather than high price supports, export subsidies and import quotas be used to protect farm income; (2) that parity income replace the current parity price guidelines of farm prosperity—the parity income concept taking into account increases in farm productivity, actual farm income and what farmer-owned resources could earn outside agriculture; (3) the transferability of acreage allotments be increased to encourage crop production in the most efficient areas; (4) public subsidies for capacity-increasing farm practices be discontinued; and (5) an emergency food reserve be established.

Agricultural exports have increased sharply in the recent years and are likely to account for a large part of future farm production. From this, the commission concluded that U. S. farmers can compete effectively in

world agricultural markets and policy should be aimed at reciprocal lowering of trade barriers to increase world trade in farm products. It pointed out, however, that unlimited food production in developed countries cannot solve the problem of world hunger. The solution, it said, must come through population control and increased food production in developing countries.

Technological advances in agriculture have resulted in fewer, more specialized farms. A study conducted for the commission showed the number of farms dropping to about 1.8 million by 1980, compared with 3.1 million today. The number of small farms lacking in resources and management capability will decline relative to the larger more efficient units. Farms with less than \$10,000 in gross sales declined by one-third from 1959 to 1966, while farms with gross incomes of \$10,000 or more increased about one-fourth in the same period. The proportion of net income earned by the smaller farms has also declined.

Large Farms Increase in Number and Earn More Income



SOURCE: U. S. Department of Agriculture.

The commission concluded that new employment opportunities must be found for displaced farmers. Essential to the elimination of rural poverty is a comprehensive national policy aimed at improving rural underemployment, the education and skills of rural people and industrial development in rural areas.

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