Remarks by
Earl L. Butz, Secretary of Agriculture
at the
50th National Agricultural Outlook Conference
Jefferson Auditorium
February 22, 1972

Welcome, and greetings on the fiftieth anniversary of the Outlook Conference. Any organization that has been in the business of price prediction continuously for fifty years must have had its share of successes, or it would have gone out of existence. You have been right often enough to have commanded the respect of the agricultural community, or you would not have filled this hall today.

And I think you're right this year. The agricultural outlook is generally good, as indicated by Federal, State and business analysts. Our departmental people say realized net farm income in 1972 will be up $1.5 to $2 billion over 1971, an increase in the neighborhood of 10 to 13 percent. This increase is anticipated largely as a result of the strong prices that are expected for meat, chiefly beef and pork, and to a lesser extent by larger program payments if we are to keep supplies under control.

There has come a surge of feeling, mostly from consumer groups, that price controls of some kind should be placed over food products, especially meat. It is proposed that this be done as part of the effort to control inflation.

I am opposed to controls on prices of farm products. I have said that I would fight like a wounded steer on this issue, and I want to tell you why.

First: Farmers haven't caused inflation. The base period for government statistics is 1967. Since that time the price of food has risen less than most of the other main components of the Consumer Price Index. In 1971, the American consumer bought her food supply, the best in history, with only 16 percent of her take-home income, the lowest percentage ever, in any country. And it is likely to go lower in 1972 without price controls on food.

There is no lack of food. Farmers have done their job. They have doubled the per capita supply of beef during the past two decades. The per capita food supply for 1972 is likely to be at least equal to that of 1971. Farmers are now engaged in converting last year's abundant feed grain crop into meat, milk and eggs, and they will deliver the food if their markets are allowed to operate.

The reason for rising food prices is that consumers, with their increasing incomes, have bid these prices up. And consumers want more service with their food, which adds to price. Farmers are not to blame.

Second: Controls won't work. Controls were tried during the OPA days of World War II, as some of the older people here will remember. What was the result? Black markets, rationing, priorities, subsidies, allocations, regulations, and a whole host of government officials checking prices, weighing packages, and hauling people into court. And empty meat counters. What good does a consumer get from a low price for beef if no beef is available at that price?

Price controls won't work for commodities as perishable, as seasonal and as varied in quality as food products. When the war was over we got rid of price controls on food, with widespread consumer support for their ending.

Some consumers, either too young to know or too forgetful to remember, may think they want controls. They should read history. It would be easier to learn the difficulties of price control for beef and pork by reading history than it would be to learn while standing in a queue at a half-empty meat counter.

Third: Farm income should not be suppressed. Per capita income of farm people in 1972 is likely to average about three-fourths as high as average per capita incomes of non-farm residents. In 1972, realized net income from farming is likely for the first time to exceed the previous record of $17.1 billion registered in 1947, twenty-five years ago. For what other major sector of the economy is an income equal to that of a quarter of a century ago thought to be so high that it needs to be suppressed by Government action?

Fourth: Agriculture is competitive. The main cause of the present inflation is the exercise of concentrated economic power by special interest groups. This power is exercised by labor union leaders who demand and receive unrealistic wage increases for their members. Concentrated economic power is also exercised by industrial firms and by the service trades through administered pricing. The West Coast dockworkers, who have been receiving $7.76 per hour,

including fringe benefits, have just negotiated a wage increase that will, at the end of three years, bring their compensation, including fringe benefits, up to $9.94 per hour. As another example, during the year before the President's Economic Stabilization Program went into effect, the price of barbed wire increased 11 percent.

These goods and services are priced administratively, which means that competitive market forces are sharply restricted. The Economic Stabilization Program is properly focused on these particular sectors, which is where most of our present inflation originates.

In contrast, agriculture is highly competitive, sometimes harshly so, and is therefore not in need of control.

We must point out, to people within and outside of Government, the differences between an industry which is largely competitive, like agriculture, and other sectors, which are not.

We must show the difference between an industry that has supplied its market well, like farming, and other industries that operate on the basis of shortage.

We must make clear the difference between an industry that has generally been underpaid, like agriculture, and others that are overpaid.

We must make clear the difference between an industry that operates with fluctuating prices, like our food industry, and the many other industries that ratchet their prices upward.

We must drive home the difference between the relatively simple problem of regulating the price of a new automobile and the very complex problem of establishing the right price differentials between thousands of food items in a multitude of stores in 50 States, for more than 200 million consumers.

There is an educational job to do, and I have given you an outline of the course.