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Minnesota Farm Business Notes

THE FOOD AND AGRICULTURE ACT OF 1965– ITS IMPLICATIONS FOR MINNESOTA

THE FOOD AND AGRICULTURE ACT OF 1965 was signed by President Lyndon B. Johnson on November 4. This bill will be in effect for the 1966-69 crop years. It: (1) continues and extends current voluntary programs, (2) adds several new features to individual programs, and (3) authorizes a new Cropland Adjustment Program designed to retire land from production on a semi-permanent basis.

Although no sweeping changes in farm programs will result, the new legislation permits the Secretary of Agriculture much discretion in applying the law's general provisions. For example, the Secretary now can make participation in voluntary programs either much more or much less attractive than participation in earlier programs.

Further legislation could supersede the 1965 Act. Nevertheless, the bill probably will provide the legal setting for agricultural policy throughout this decade. Some legislative changes may result from the work of the National Commission on Food Marketing. This group of legislators and private citizens was organized in 1964 to "study and appraise the marketing structure of the food industry" of the United States. Its final report, expected in mid-1966, may stimulate changes in laws governing the marketing, processing, and handling of farm products.

Because administrative discretion is broad, total program costs for the next 4 years are difficult to predict. The Administration will do all that it can to prevent overall consumer price increases for food and clothing directly resulting from the new law. Total costs to taxpayers probably will be about $4 billion during the 1966 crop year, approximately the same as the 1965 crop year's estimated outlay.

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In general, the 1965 Act continues to shift farm income support away from artificially high price supports toward lower market prices and more direct payments to producers under voluntary programs. With increased emphasis on direct payments, budget costs for farm programs probably will be more stable from year to year than previously. The coming 4 years of voluntary programs will give government officials and private citizens more time to evaluate this approach's effectiveness in maintaining farm income and preventing burdensome surplus accumulation.

Complete details for 1966 crop year programs are not yet released. However, some general implications for Minnesota agriculture and the general public are discussed in this article.

COMMODITY PROGRAMS

Commodity programs for wheat, feed grains, dairy, and wool will affect Minnesotans directly. In turn, these programs will affect indirectly the production and profitability of livestock and other cash crops.

Wheat

The new wheat program is similar to the present voluntary certificate plan under which farmers may idle part of their wheat allotment in return for price support and acreage diversion payments. The most significant change is that wheat for domestic food use (not less than 500 million bushels) will be supported at 100 percent of parity. Full parity in July 1965 was $2.57 per bushel. But by July 1966, the parity figure to be used for the 1966 crop may be slightly lower.

The loan rate for the 1966 crop will be $1.25 per bushel. The difference between the loan rate and full parity will be paid by domestic wheat processors and the U. S. Treasury. Processors will pay a fixed 75 cents per bushel. The Treasury will pay the balance, 57 cents if full parity is $2.57. Incidentally, early proposals that processors also pay the 57 cent levy touched off the recent "bread tax" controversy; it was feared that consumer prices for flour-using products might be forced up.

Farmers participating in the 1966 program must divert 15 percent of their historic wheat acreage allotment to soil-conserving uses for which no payment is provided. In 1965, the required diversion was 11.1 percent of the allotment. Participants will receive domestic marketing certificates worth $1.32 per bushel on approximately 45 percent of their "projected yield" of wheat from allotted acres. Similar certificates were worth 75 cents in 1965. Their total production on planted acreage will be eligible for price support loans of $1.25 per bushel. With full parity at $2.57 per bushel, the resulting "blend" price will be about $1.84. This amount would be approximately 15 cents higher than the $1.69 average return for the 1965 crop.

The "projected yield" will replace the historical average yield as a basis for computing marketing certificate and diversion payments on individual farms. Projected yields will take account of upward productivity trends and will be higher for most farms than their historical average yields.

In 1966, Minnesota's average projected wheat yield will be 26.2 bushels per acre compared with 25.0 bushels currently. In no case will projected yields be lower than past proven yields. This change will boost participation benefits by giving wheat farmers domestic certificates on an increased wheat volume. However, this advantage will be partially offset by the announced reduction in the national acreage allotment from 49.5 million acres in 1965 to 47.8 million acres in 1966. Minnesota's allotment will drop from 950,000 acres to approximately 920,000 acres.

The export certificate feature of the new wheat program is substantially different from the current scheme. Wheat shipped abroad still must be accompanied by export certificates. But, certificate costs to shippers will be levied on a day-to-day basis rather than a predetermined annual value. In 1965, export certificates with a predetermined face value of 30 cents per bushel were issued to producers for 35 percent of their normal allotment production.

Under the new program, exporters will pay into the certificate pool when the world price is above the U. S. price. When the world price is below the U. S. price, exporters may draw from the pool. If the pool has a positive balance at the year's end, it will be distributed to eligible producers on a *pro rata* basis. Since the United States is the world's largest exporter, the U. S. price probably will not fall much below the world price. Therefore, producers probably will not receive additional income from export certificates in 1966.

The new wheat program authorizes additional payments on voluntary diversion beyond the required 15 percent and up to 50 percent of the farm allotment (or sufficient acreage to bring the total diversion up to 21.7 acres, whichever is larger). Under the old law, the maximum was 20 percent of the allotment (or sufficient acreage to bring the total diverted acreage up to 15 acres, whichever was larger). These 1966 diversion payments will be computed by multiplying 40 percent of the county price-support loan rate times the farm's projected wheat yield.

Of the total 1965 Minnesota wheat allotment of 950,000 acres, 665,000 acres (70 percent) were in the 1965 program. The 1966 participation level should increase because:

- The gap between the average price received by participating and nonparticipating farmers will widen.
- Domestic certificates will be received on more wheat per acre because projected rather than average yields will be used.
- The new authorization for voluntary diversion up to 50 percent of the farm allotment increases the attractiveness of maximum acreage cuts.

As in 1965, producers may plant wheat on their 1966 allotted feed grain acreage. This wheat will be eligible for price-support loans but not for certificates. Producers utilized this provision in 1965 by increasing wheat acreage at the expense of oats, barley, and rye. Continuation of this practice may partly offset the output-reducing tendency of increased participation in the regular wheat program and the smaller national allotment. The net effect in the Upper Midwest will be to maintain wheat output at about its present level.

The national average price-support loan level for wheat will be $1.25 per bushel in 1966. The market price, depending upon quality, may not rise much above the loan level. The Commodity Credit Corporation (CCC) still retains authority to sell wheat in the market when the price reaches 105 percent of the loan rate plus carrying costs. Possibly, the loan rate may be reduced below $1.25 after 1966 in order to keep noncertificate wheat competitive in world markets and in domestic feed grain markets. The 1965 Act continues to shift farm income support for wheat away from high market price supports toward direct payments with lower loan rates.

Increased reliance on income payments and acreage diversion suggests that the CCC will assume a decreasing role as a wheat marketing agency. In addition, the wheat carryover declined substantially in recent years. From an all-time record of 1.4 billion bushels in July 1961, stocks declined to 819 million bushels in July 1965. A further decline is anticipated, with carryover stocks in July 1966 now estimated at 750 million bushels. As a result, cash and futures markets for wheat should experience resurging activity.

Gross returns to all U. S. wheat farmers (value of production and payments) in 1966 are estimated to be $144 million higher than in 1965. Based on past production figures, Minnesota's share of this increase should be about $2.3 million. In the four-state area of Minnesota, North Dakota, South Dakota, and Montana, gross returns to wheat farmers should increase by about $36 million.

Feed Grains

The voluntary feed grain program is extended by the 1965 Act for 4 additional crop years beginning in 1966. Major provisions of the current program remain in force. Participants still will be entitled to price-support loans and direct price-support payments in return for diverting at least 20 percent of their feed grain acreage base.

Changes, mainly in program mechanics, are designed to make overall participation more attractive in 1966. However, it is difficult to say whether Minnesota's 1966 diverted feed grain acreage will be more or less than the 1965 level of 2.3 million acres. As before, the program's attractiveness to individual farmers depends greatly upon their land's productivity, per acre production costs, and potential return elsewhere for their released labor.

New features of the bill affecting Minnesota farmers include:

1. Application of projected rather than average yields to figure "normal" production for price-support and diversion payments.

2. Increased flexibility in direct price-support and diversion payments to favor producers making large acreage cuts.

3. A price-support loan rate reduction which may encourage participation by permitting open market price declines.

4. Possible authorization for participants to grow soybeans on permitted feed grain acres and still receive feed grain price-support payments. This provision probably will not be available for the 1966 crop year.

The law gives the Secretary of Agriculture considerably more leeway than previously in deciding how and when to apply these new program provisions.

Projected yields for each cooperating farm will be used in computing program benefits. Based on normal weather and current cultural practices, these projected feed grain yields will be higher than average past yields. This new computation method should provide added participation incentives, especially among growers with rising output per acre. As with wheat, projected yields will not be lower than past proven yields on participating farms. The 1966 Minnesota average projected corn yield is set at 70.1 bushels per acre compared with 58.6 bushels in 1965. Other feed grain yields also are increased.

In the 1965 feed grain program, participants received a uniform direct price-support payment in addition to regular supports via the loan program. For corn, the payment was 20 cents per bushel on the normal production of permitted acreage besides the $1.05 per bushel loan rate. For the 1966 crop year, the average loan rate will drop to $1 per bushel. But, the direct price-support payment will be 30 cents, making the total price support $1.30 per bushel. However, the 30-cent support payments will be limited to the projected output from 50 percent of each farmer's base acreage rather than up to 80 percent as before. These alterations will make maximum participation more attractive to cooperating farmers than in 1965.

Concerning diverted acreage, the 1966 feed grain program participant will have more flexibility than previously in his farm management plans. He will have several alternatives for that portion of his feed grain base between the minimum 20 percent diversion and the maximum 50 percent diversion. He may idle all of this portion of his feed grain base and earn diversion payments on it. Or, he may plant it to feed grains and obtain price-support loans on harvested grain. Or, he may plant it to soybeans or any other crop without jeopardizing his direct price-support payments on the 50 percent of his base acreage eligible for these payments.

A special feature is included for small farmers with a feed grain base of 25 acres or less. Such farmers may idle their entire base acreage and receive diversion payments on all of it. The first 20 percent of the base will carry a diversion payment rate of 20 percent of the county support rate. The remaining 80 percent will get 50 percent of the county support rate, each multiplied by the farm's projected yield.

The price-support loan rate for feed grains tends to set a market price floor, even for nonparticipants. The 5-cent per bushel loan rate reduction for corn in 1966 will permit market prices to drop slightly below 1965 levels. This potential drop, along with increased direct payments to participants, will increase the incentive to enter the 1966 program at the maximum level.

If expected soybean production and carryover stocks for the coming crop year are not sufficient for estimated needs, the Secretary of Agriculture may permit soybeans to be grown on participating feed grain acreage without jeopardizing feed grain price-support payments. Although this option probably will not be available in 1966, it may be offered in subsequent crop years. The impact of this option would be felt in several Minnesota counties where net returns from soybeans and feed grains per acre are similar.

The new legislation contains no specific provisions for soybeans except that price-support loans will be available. The 1965 loan rate was $2.25 per bushel.

Barley for feed use is covered in the 1966 program; it was designated "in surplus" by the Secretary of Agriculture. However, exemptions from base acreage compliance by malting barley growers are discontinued in 1966.

Farmers can obtain full program benefits based on projected yields if natural disaster prevents planting of feed grains and if no income-producing crop is planted on the acreage.

The option of planting wheat on feed grain acreage and *vice versa* without losing combined program benefits continues in the new program. This option may decrease moderately feed grain output where farms have both wheat and feed grain bases. In 1965, substantial feed grain acres were planted in wheat. Continuation of this practice may reduce feed grain production below that expected at any given level of program participation

Under the feed grain program, carryover stocks probably will continue to be reduced from the 1961 high of 85 million tons; they now stand at about 54 million tons. Market prices for feed grains may fall because 1966 loan rates are reduced. But, net farm income from feed grains will be held about constant because of increased direct support payments. Virtually all new program changes give the Secretary of Agriculture the power to either enhance or reduce program benefits to participants.

Overall, about 35 percent of Minnesota's eligible feed grain acreage was diverted in 1965. Nearly 61 percent of the eligible farms entered the 1965 program; they received average payments of $1,193 per farm. Added participation incentives for maximum cooperation should boost the number of fully participating farms during 1966 and subsequent crop years. It is not clear whether total or per farm program payments in Minnesota will increase or decrease compared to 1965. In any case, the change will not be great.

Program Details

Complete 1966 program details for the new Food and Agriculture Act are available at local county offices of the Agricultural Stabilization and Conservation Service (ASCS). County agricultural extension agents can provide additional assistance in interpreting and analyzing program alternatives available to farmers and businessmen. Signup dates for individual programs will be announced early in 1966.

Dairy

The new legislation does not change overall levels or methods of price support. However, it contains three additions to the current dairy program:

1. A Class I base program for federal order milk markets.
2. Extension of the federal order program to manufacturing milk-producing areas.
3. Authority for the Secretary of Agriculture to purchase dairy products in commercial markets for domestic relief, foreign distribution, or other government programs when CCC stocks are insufficient.

The impact of these programs on Minnesota's dairy industry will depend on: (1) the extent of their adoption since none is mandatory, and (2) administrative methods which are not yet determined. This discussion is based on assumptions regarding probable adoption and administration.

The Class Base Program—The Class I base plan applies only to fluid milk markets. It is designed to reduce the milk output for manufacturing uses within these markets. For example, the base program could be administered in this way:

Each producer would receive a monthly base determined on some historical production period—possibly the past 1-4 years. Class I (fluid) utilization in the market for any subsequent month would be calculated as a percentage of the total producer base. If it is 75 percent, for example, then each producer would receive the Class I price for 75 percent of his base. For milk in excess of the Class I quota, the producer would receive a price equal to its value in manufacturing. If the producer subsequently reduces milk production, he does not reduce the quantity on which he is paid the Class I price. Therefore, a producer could receive Class I price for all his milk by reducing his total output sufficiently.

In 1963, 760 million pounds of milk were sold into seven federal order markets by Minnesota producers. The average blend price was $3.83 per hundredweight (cwt.). If milk in excess of Class I use is priced at the 1963 Minnesota manufacturing milk price of $3.12, production by federal order milk producers would decrease by about 36 million pounds. Total returns to federal order producers also would decrease. Depending on production costs, net returns to producers could either decrease or increase.

If this program reduces milk production in federal order markets, outlets for Minnesota's dairy products might increase. However, two important factors could prevent this result:

- Not all federal order producers currently receive a blend price. And, price incentives to reduce output may be partly offset by the necessity to build a production base for a subsequent time period.

- If growth in a market's Class I sales looks promising, producers may maintain production to take advantage of the fluid sales increase likely to be reserved for local suppliers.

The primary impact of a potential Class I base program on processing firms would be on the volume of milk handled by manufacturing plants. No change would result in their payments for milk since all federal order manufacturing plants now pay going class prices for each use.

The Manufacturing Milk Order Authorization—The 1965 bill also amends the Agricultural Marketing Agreement Act to allow its application to manufacturing milk production areas. Under this measure, a national two-price plan could be developed. This plan could require manufacturing milk processors to pay two prices for milk—a high price for milk used in products for commercial markets and a low price for milk used in products sold to the CCC. Unlike the current two-price plans for fluid milk, the plan would be applied nationally rather than in restricted production areas.

National and Minnesota average milk prices for manufactured products could increase under a two-price plan. Because most fluid milk price formulas are based on manufacturing prices, average prices for fluid milk products also could rise. Higher prices for milk in both uses would reduce dairy product consumption in commercial markets. Then, government purchases probably would increase. The increased prices received by producers might induce some longrun increase in milk supplies.

Preliminary farm income estimates suggest that gains from a two-price plan for manufacturing milk would be as great for fluid milk producers as for manufacturing milk producers. If surpluses are purchased at the current support level, government costs also could increase.

Administration of a manufacturing milk order program would require additional reporting of prices and utilization by processing and handling firms. This paperwork could increase costs of marketing dairy products.

Government Purchases Of Dairy Products—The new authority to purchase dairy products in commercial markets suggests that government programs could become a permanent part of the market demand instead of simply surplus removal. Most CCC purchases have been fully utilized in ongoing programs. Therefore, additional government purchases in commercial markets may be required to meet new foreign and domestic program commitments.

The price effect of committing a fixed volume of dairy products to government programs would vary according to the amount utilized. If, for example, program purchases in the 1966-69 period equal the 1964 level, manufacturing milk prices could increase as much as 10 cents per cwt., all else constant.

Government purchases in commercial markets for various programs could cause shifts in product price relationships and/or changes in the relative size of processing industries. For example, large amounts of additional dry milk might be needed. Bidding up of milk prices by drying plants would shift manufacturing milk into drying plants and away from cheese plants and condenseries.

Wool

Minnesota sheep producers will be affected by the wool program in the 1965 legislation. This program is an extension, with some modification, of the National Wool Act of 1954.

Wool prices will continue to be supported via direct payments to producers. As in the past, the payment per pound marketed will vary among producers. It will equal the individual producer's average wool price multiplied by the percentage that would have to be added to the average price received by *all* domestic producers in order to bring the latter up to the support price. The support price will be 65 cents per pound in 1966 compared with 62 cents in recent years. A technical change in the formula for calculating the support price of shorn wool accounts for this increase.

The increased support level should improve incomes for Minnesota sheep producers in the 1966 marketing year and beyond. If Minnesota wool production in 1966 approximately equals the 5.6 million pound average established in the past 3 years, the state's income from wool should increase approximately $170,000 as a result of the program change. This amounts to about $15 to $20 per sheep producer.

Livestock

Changes in feed grain and wheat programs will have little, if any, immediate effect on Minnesota livestock producers' production costs or incomes. The announced 1966 corn loan rate is 5 cents below the 1965 rate. This downward adjustment suggests that market prices for feed grains may drop slightly in the 1966-69 period. Lower feed prices could provide some downward pressure on livestock and meat prices but probably not in the next 2 or 3 years.

One aspect of the wheat program might affect Minnesota livestock producers. A program goal is to support noncertificate wheat at a level based on the feeding value of wheat in relation to other grains. The 1966 loan rate of $1.25 permits some noncertificate wheat to move from storage onto the market at levels competitive with other feed grains. Since the wheat loan rate can be reduced after 1966, future lower feed wheat prices are possible.

Although this situation may not affect the overall level of feed costs, it may alter optimum feed mixes. Cattle and hog feeders should consider wheat as a potential feed source. On the other hand, quality premiums usually paid for Upper Midwest wheat will prevent much local wheat from being fed. In addition, transit costs will discourage Minnesota livestock producers from using feed wheat that is grown elsewhere.

Minnesota Farm Business Notes

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CROPLAND ADJUSTMENT PROGRAM

The Cropland Adjustment Program of the 1965 Act is new. Its purposes are to reduce surplus agricultural production and to provide open space for outdoor recreation. The program includes: (1) a long-term cropland diversion plan resembling the old Soil Bank Conservation Reserve, and (2) authorization for an entirely new government land-buying scheme.

Cropland Diversion

Under the cropland diversion plan, a Minnesota farmer may remove his feed grain and/or wheat base acreage from production for 5-10 years. He will receive annually 40 percent of the estimated value of the crops diverted, plus part of the cost of planting and maintaining the land in a new use. He might also receive an annual sum if hunters, hikers, and fishermen are allowed free access to the diverted land.

The 1966 Minnesota payment rates will be about $28 per acre for corn base acres, $13 for wheat base acres, and $3-$7 per acre for other nonbase cropland. Supplementary payment rates for maintaining the land and permitting recreational use will be announced in early 1966. The total authorization for this land diversion program is $225 million annually.

Initially, a farmer must divert all his feed grain or wheat base acres to be eligible for the program. The Secretary of Agriculture may remove this restriction later.

The diversion feature of the Cropland Adjustment Program will not compete directly with the feed grain and wheat programs for Minnesota base acreage. To attract landowners, the annual diversion payment plus payment for sportsmen's use of diverted land less the cost of planting diverted land to new uses must be more than net returns in alternative uses. If a farmer finds it unprofitable to participate in either the feed grain or wheat program, he probably will find it unprofitable to participate in the Cropland Adjustment Program solely for his base acreage.

Therefore, the program probably will attract farmers having small wheat and feed grain allotments in association with large tracts of other cropland. In Minnesota, most of this land likely will come from the northern and central area. The program may attract many owners with acres now being released from the Conservation Reserve of the Soil Bank. About half of the released acres are in northwestern and west-central Minnesota. Few acres in the more productive southern part will be included.

This program will protect local communities by limiting the amount of land that can be put in the program to 10 percent of county allotments in any 1 year and 25 percent over the program's life.

If Minnesota shares in the $225 million budget in approximate proportion to its participation in regular feed grain and wheat programs, about $12 million will be available for program payments. Considering the announced 1966 payment rates and past commodity program experience, less than 1 million Minnesota acres probably will be diverted by the Cropland Adjustment Program.

Land Purchase

The new land-buying program may provide funds for federal and local government purchases of cropland for public outdoor recreation. Whether this program will operate in 1966 has not yet been announced. Even if it is activated, little can be said about probable amounts of Minnesota land to be purchased.

Cropland acquired for public recreation probably will not come from the Twin Cities Metropolitan Area nor from areas adjacent to other Minnesota population centers. Such land is expensive and, because of likely price restrictions in the program, lower valued land probably will be purchased. Similarly, few acres in southern Minnesota will be purchased because of their high crop production value.

In general, the Cropland Adjustment Program will divert relatively few Minnesota acres from production. Nevertheless, it will facilitate retirement of some older farmers and provide additional public land for recreation.

MINNESOTA CITIZENS AND THE NEW FARM LEGISLATION

Farm programs affect the general public as both consumers and taxpayers. As consumers, Minnesota citizens are concerned about prices of food and clothing. As taxpayers, they are concerned about farm program costs. However, the rate at which an individual or family consumes farm products may differ greatly from the rate at which taxes are paid. The way in which program costs are passed to the public can affect various sectors of the population quite differently.

Consumers

Food and clothing are the second and fourth ranking items in family budgets. Therefore, price increases in these products greatly affect living costs, especially for low-income families who usually spend a large share of their income for food. However, the intents of the 1965 Act apparently are to encourage stability in consumer prices and to pay for farm programs increasingly through direct payments financed by general tax revenues.

The effect of the new legislation—except the dairy legislation—on food and clothing prices probably will be negligible. Depending upon the measures adopted, slight increases in retail prices of milk and dairy products might occur. However, as average incomes continue to increase and food prices remain relatively stable, the percent of after-taxes income spent by Minnesota families for food will continue to decline. At the present time, food outlays are less than one-fifth of average disposable incomes.

Taxpayers

The 1966 tax costs of the 1965 Act will not differ greatly from those of extending the present program. Higher costs of some programs will be offset by reductions in others.

For example, the total cost of the wheat program should be somewhat more in the 1966 crop year than under extension of the present program. Direct payments to producers of domestically consumed wheat will be only partly offset by lower export subsidy costs. On the other hand, feed grain program costs should be lower partly because of the new Cropland Adjustment Program.

The accompanying table shows the approximate expected 1966 allocation of federal expenditures for farm programs under the Food and Agriculture Act of 1965.

Estimated 1966 allocation of federal expenditures for farm programs under the Food and Agriculture Act of 1965

Commodity or program	Percent of expenditures for farm programs
Wheat	31
Feed grains	34
Dairy	7
Wool	1
Cotton	19
Rice	3
Cropland adjustment	5
Total	100

Expenditures for domestic agricultural programs currently represent about 4 cents out of each federal tax dollar. The nation's citizens pay an average of $21 per person per year for these programs. But, they spend about $500 per person annually for food. Since average Minnesota incomes are close to national figures, the proportionate share of program costs paid by individual Minnesotans is similar to that for the country as a whole. Because average incomes are increasing more rapidly than farm program expenditures, program costs will be a continually declining proportion of

Minnesota citizens' average earnings and tax payments.

THE FUTURE OF AGRICULTURAL PROGRAMS

Changes in U. S. agricultural policy beyond 1969 are difficult to predict. Much will depend upon how well current programs cope with present price and income problems. Developments in foreign dollar markets and in our commitments to the world's underdeveloped nations will influence future programs.

When signing the Food and Agriculture Act of 1965, President Johnson announced the formation of a 30-member committee to study past, present, and future agricultural policies and programs. Officially titled the National Advisory Commission on Food and Fiber, this group of prominent business, professional, and farm leaders will report its findings and recommendations to the President in mid-1967. The group is headed by S. O. Berg, Dean of the University of Minnesota's Institute of Agriculture. The Commission's work may help to shape the agricultural programs of the 1970's.

Through the Food for Peace Program, U. S. agricultural abundance is shipped to developing nations under special terms. This program will continue to be a crucial element of our country's domestic and foreign policy. Coordination of this program recently was shifted from the White House to the Department of State. Most observers expect the Food for Peace Program to improve as an instrument of overall U. S. foreign policy and to display much less emphasis on purely surplus disposal objectives. The use of U. S. food shipments as an integral part of Asian, African, and Latin American economic development programs probably will increase in the next few years.

As the U. S. farm population continues to decline both in actual numbers and in relation to urban and other nonfarm groups, purely agricultural interests will wield diminishing power as programs are developed. Reapportionment of voting strength toward the cities will accelerate this trend. Urban congressmen, consumers, and special interest groups want low food prices and moderate government expenditures in agriculture. They will examine new policy proposals critically. Their growing political strength will make high-cost farm programs increasingly difficult to maintain.

Illustrative Example Of Three Participation Levels By A Corn Farmer With 100-Acre Base

On this hypothetical Minnesota farm, actual and projected corn yields are assumed to be 70 bushels per acre. The farm's variable (out of pocket) costs are $25 per harvested acre. Both the corn market price and the loan rate are assumed to be $1 per bushel. In this particular case, maximum participation is attractive. But for different combinations of yields, costs, and prices, other participation levels or nonparticipation may be most profitable. For instance, participation is more attractive than in this example when variable costs exceed $25 per acre and less attractive when they are under $25 per acre.

In general, monetary differences among participation levels will be small. The program's usefulness depends importantly upon returns available to the individual participant for his released labor. Each farmer should evaluate his own situation with data appropriate to his farm.

Item	Nonparticipation	Minimum participation	Maximum participation
Corn acres grown	100	80	50
Value of corn grown (70 bushels per acre at $1 per bushel)	$7,000	$5,600	$3,500
Price support payment (30 cents per bushel on 50 acres)	....	$1,050	$1,050
Diversion payment	....	....	$1,365*
Total receipts	$7,000	$6,650	$5,915
Variable cost ($25 per acre)	$2,500	$2,000	$1,250
Receipts over variable costs	$4,500	$4,650	$4,665

* One half of total county support rate ($1.30 divided by 2) multiplied by projected yield (70 bushels per acre) multiplied by total nonrequired diversion (30 acres).

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