



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

CRITERIA FOR ANALYSIS OF FARM PROPOSALS

J. Carroll Bottum
Assistant Chief in Agricultural Economics
Purdue University

For a number of years our National Committee on Agricultural Policy has arranged for discussion at the National Agricultural Policy Conference of various proposals for meeting the farm price and income problem. This past year, the National Committee joined with the Iowa Agricultural and Economic Adjustment Center and the Farm Foundation in sponsoring the preparation of a series of thirteen leaflets entitled "The Farm Problem—What Are the Choices?" The thinking of this joint group was that the farm problem should be delineated and that all of the proposals normally considered by the public and discussed at the past National Agricultural Policy Conferences should be brought together in one series of leaflets which could be made available to all the states for use by the public.

The committee appointed to plan the preparation of these leaflets felt that the leaflets should be prepared by various individuals in the land-grant colleges who had given special consideration to the proposals in their work, and who could present the choices in a manner that could be readily grasped by the general public. The planning committee also decided that the leaflets should be set up in a uniform manner and that each leaflet should answer certain questions concerning each proposal. The first leaflet delineates the situation, and each of the other twelve leaflets presents and analyzes one of the proposals.

This is the first attempt to bring all of the proposals together. I would be the first to admit that improvements could be made in the leaflets, but I consider them a distinct step forward and would suggest that those who do not feel they have been adequately done work to improve them.

Before we can develop sensible solutions to the farm problem, we need to develop understanding of what the farm problem is and what has been causing it. Therefore, the first leaflet, entitled "The Farm Problem Identified," sets forth the nature of the problem, its magnitude, its impact upon farm income, and the adjustments needed to bring agriculture into better equilibrium

with the rest of the economy. It points out rather clearly that the main cause of the farm price and income problem is our technical progress. Through technical progress, we have been able to increase the output per worker in agriculture and the crop yields per acre faster than the growth in the population and the demand for food. Less people and less cultivated acres are needed to produce the nation's food. As a result of this technology, agriculture has made tremendous adjustments, but it has not made them rapidly enough, and we still have an excess of these resources in agriculture, resulting in excess production relative to demand. This has resulted in lower returns to the production factors employed in agriculture than for those same factors outside of agriculture.

The excessive supplies, therefore, are the result of our economic progress, and the political question is how we can best develop programs which maintain or improve farm income and which, at the same time, help to bring about the necessary adjustments.

ALTERNATIVES FOR SOLVING THE FARM PROBLEM

The committee felt that twelve alternatives or choices for solving the problem have received serious consideration. Each of these choices that society might consider in formulating action programs is analyzed in detail in a separate leaflet. Each leaflet includes a review of the specific objectives of the program being analyzed, a description of the plan, some procedures for administration, the effects on farmers' income, costs to consumers and taxpayers, and an explanation of how the program will facilitate the adjustment in the use of resources in agriculture. Additional considerations such as freedom of operation of the farm, conservation, efficiency, social costs, foreign policy, and others are included where pertinent.

The titles of the leaflets and the proposals presented are as follows:

Expansion of Domestic Demand?

This is one of the often proposed means of selling more farm products, reducing surpluses, and upgrading diets of consumers.

The opportunity for expanding domestic demand lies primarily in the direction of substituting high-value foods, measured in terms of resource use, for those of low value. The School Lunch and School Milk programs are considered. Opportunities for increasing consumption by raising incomes of low-income families also are reviewed.

Expansion of Foreign Demand?

A number of programs are being used to expand foreign demand. Thus far, our programs to export more farm products have given major consideration to disposal of existing surpluses. An explanation of Public Law 480 as the main program in current use is included in the leaflet. Another proposal discussed is a World Food Stabilization Reserve program. Some factors related to foreign policy and human values are treated.

What are the opportunities to reduce surpluses, improve farm income, reduce taxpayer costs, improve nutritional levels in the world, and encourage economic development in underdeveloped countries?

New Uses for Farm Products?

More research on new uses for farm products will be required in the future just to maintain the demand for farm products. What are the possibilities for carrying on a broad research program in the laboratory, in the pilot plant, and in trial commercialization? Subsidies would be needed during the trial and development period. Public and private interests could cooperate in research, implementation, and costs.

Total supplies and demand for farm products and farm income are not likely to change rapidly with the program. Research findings could benefit society through new industrial development, lower cost industrial products, lower food costs, and improved living.

Marketing Quotas?

A national and individual marketing quota would be established. It would limit the marketings of farm products to the level that would attain the desired prices and income. High penalties on both producers and buyers would assure compliance. The certificates required to sell products could be transferred by sale between farmers.

Resources used in agriculture may be affected in two ways by a marketing quota program. Either some would be unemployed or all would not be used efficiently. What would happen in the long run to the domestic demand for farm products, foreign imports, and consumption habits?

Compulsory Cropland Adjustment?

The program would provide for controlling the land input

sufficiently to reduce the output of all crops deemed in excess supply. Also, a national and individual acreage allotment for nonallotted crops would be used to prevent excess production of forage, pasture, and similar crops. Acreage allotments on feed grains based on grain equivalents would limit aggregate livestock production.

The program would impose penalties high enough for non-compliance to result in a net loss. Allotments would be transferable to provide for adjustment in the use of resources in agriculture.

Voluntary Land Retirement?

Three alternative methods of retiring land are considered. Each of the methods assumes that 60 to 80 million acres would need to be removed from production to improve farm incomes.

The leaflet points out that large increases in farm prices and incomes may tend to be capitalized into land or to decrease the outward flow of human resources. Either of these results would tend to decrease the gains to agricultural workers.

Restricting Capital and Technology?

Various alternative methods for restricting capital include restricting the physical factors of production, restricting credit available to farmers, and restricting the investment in farm technological research and education.

The leaflet analyzes the effects of reducing total farm output through the use of a fertilizer tax. Total farm income would be improved if the program were effective, but it cannot be assumed that all farmers would benefit. Restricting the use of fertilizer would reduce the opportunity for the individual to increase his efficiency. This proposal would meet with considerable popular and political opposition.

Fewer Farmers?

The plan would provide grants, services, and credit to those voluntarily choosing to change occupations. Monetary assistance might be provided to help establish another residence. A comprehensive employment agency system might assist in determining the need and might facilitate the movement of workers. A training and rehabilitation program might be included.

This proposal would not raise net income to all of agriculture. The average net income of those remaining in farming would

increase. In addition, those moving from farm to nonfarm jobs would be more productive and pay more taxes.

Price Supports and Storage?

Storage programs can stabilize prices. They also have been used to raise prices. This has led to the accumulation of stocks in storage.

Storage programs alone cannot cope with excess supply over effective market demand. They have provided some temporary price support, but only by withholding stocks from the market. If and when these stocks are released, they will depress farm prices about as much as they raised prices when they were taken off the market.

Direct Payments?

Direct payments are sometimes called compensatory, transfer, deficiency, equalization, income, stabilization, or production payments. Under the direct payment program considered in the leaflet, growers would sell their product at whatever it would bring in the market. In case the market price was less than the previously specified intended price, growers would receive a payment equal to the difference between the market and intended price for each of the units sold.

Stability of farm prices and income could be increased. Direct payments raising prices and income above long-run free market levels could not correct the present imbalance of supply and demand. In fact, they would perpetuate this imbalance.

Multiple Pricing?

This choice is a form of administrative pricing. When applied to buyers, the market for a farm product is divided into two or more parts in which sales respond differently to changes in price. The segment of the market in which sales respond least to changes in price is called the primary market. The segment in which sales respond most to price is called the secondary market. The leaflet analyzes the effects on farmers, consumers, taxpayers, and the foreign market.

When multiple pricing is applied directly to farmers, a product base is used. A higher price is paid for the base production and a lower price for the excess or overbase production.

Free Prices?

All of agriculture could be returned to a system of free prices.

Free prices would be allowed to guide production and consumption automatically. They would help bring about adjustments in the use of labor, capital, and land in farming.

Farmers' income would drop below levels of recent years in the short run under free prices. The amount of the drop that would occur is not known. Farm income would not be as stable. The longer run income effect would depend upon how rapidly adjustments occur. As other means are used to aid adjustments in agriculture, the move toward a free price system might be more easily made.

CRITERIA FOR APPRAISING THE ALTERNATIVES

In choosing the solution, or the combination of solutions, that we favor, the problem of harmonizing the conflicting objectives is involved.

Looking at the problem on a broader basis, everyone is in favor of the objectives of progress, stability, justice, security, and freedom; but these goals are not compatible. Each one in actual practice may have to be compromised to a degree. Each individual compromises these in a little different way.

Looking at the goals of the farm program more specifically, some of the criteria that each individual considers are: (1) Will the proposal result in the production of farm products that meet the food and fiber needs of the country? (2) Will it stabilize farm prices and incomes? (3) Will it allow improved efficiency of production and marketing of farm products? (4) Will it allow farmers freedom in operating their farms? (5) Will it encourage conservation of natural resources? (6) Will it encourage adjustments and shifts in farm resources that need to take place? (7) Will it encourage needed adjustments and changes in the structure of total agriculture and in the organization of individual farms? (8) Will it keep taxpayer cost commensurate with the benefits to the nation? (9) Will it be consistent with national policies in regard to international trade, defense, foreign policy, and economic development? (10) Will it give to agricultural producers returns comparable to those received by other segments of our society?

These might be regarded as the criteria by which each individual may appraise the various alternative solutions or combination of solutions. Some individuals will place greater emphasis upon certain of these criteria than others and, therefore, various individuals will choose different solutions.

EXTENSION'S EDUCATIONAL APPROACH

These criteria or values must be recognized by the educator and an approach used which allows each individual to place the weight he desires on the different criteria. This is the reason that we have set up this problem in the way that we have. It is the way that I believe most controversial group and public problems should be approached. It means some shift in the traditional way in which we have carried on some of our extension education. We all need to understand this approach in dealing with a problem such as the farm problem.

First, in this approach we need to delineate and define the problem with which we are dealing. Many of our differences of opinion arise from lack of a clear understanding of the problem we are attempting to solve.

The second step, after we have delineated the problem, is to set forth all of the alternative solutions or choices for solving the problem. Even if some of the choices are not important enough to be considered seriously, they should at least be mentioned to keep all the possible choices before everyone.

The third step in this approach is to analyze the consequences of the choices and to call attention to the values involved in each of these solutions. This is difficult because although we recognize that no one can be completely objective we need to strive for objectivity.

We may need to discuss the values so that people can understand and weigh the implications of adhering to certain values, but I do not believe that in a democracy and in the name of education, we can go further than that because the holding of certain values is one of the rights that we cherish and wish to preserve in our democracy. I believe this same approach should be used with other group problems with which extension is becoming increasingly involved.

People make their decisions in the policy area on the basis of facts, what they think are facts, and upon personal values. The less facts they have available, the more they rely upon their values and beliefs, which are largely the result of their cultural, religious, and economic background. The function of the educator is to provide the facts, identify and clarify the values involved, and provide the framework so that the individual may make his own decision more on the basis of facts, logical thinking, and his own set of values. This may involve calling his attention to the

conflict among his values and helping develop possibilities for resolving them.

Our resources for conducting work in public affairs are, as we all know, limited. Therefore, we need to direct what resources we have to those people in our rural communities who have the interest and ability to participate in public affairs programs. We need to draw in the best thinkers in this area. Through their various activities in their communities, they will help to carry this greater understanding to the groups with which they work. This oftentimes is not the head of an organization in the county, but rather the thought leader or those who may later be heads of organizations. The head of an organization may have a position that he must uphold while those that are not responsible at the moment may think through and appraise new courses of action more objectively.

SUMMARY

In summary, I would like to say I have tried to point out how the National Committee on Agricultural Policy, the Iowa Agricultural and Economic Adjustment Center, and the Farm Foundation have attempted to bring together information on one of our most involved and controversial group problems. Along with this have been set forth some of the criteria that people use in judging any farm program. Lastly I have tried to point out how we in extension can present such a program as this to the general public, which is composed of individuals who place varying degrees of emphasis on each of the different criteria by which they judge farm programs.

PART III

*Foreign Agricultural
Trade Policy*

