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AN AGRICULTURAL POLICY PROPOSAL

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POLICY GOALS

The over-all goal of agricultural policy, as of all national policy, should be to make the greatest possible contribution to national welfare. We should seek:

1. A long-range policy which will assure an abundant supply of food and fiber to meet domestic and foreign demand.
2. Achievement of this production with the most efficient use of resources—in the belief that this is the best way to provide the highest standard of living for all.
3. Returns for the farm operators and workers needed in an efficient agriculture approximately equal to returns for people of equal ability in nonfarm occupations.
4. A policy of producing to meet essential needs at home and abroad rather than a policy of “disposing of” whatever we produce.
5. Prudent reserves of food and fiber to meet unanticipated emergency needs.

Agricultural policy should now apply to resolving human problems resulting from economic and technological change the same degree of public effort that was invested in achieving the changes. Policies should:

1. Enhance rural life and work by increasing the occupational and geographic mobility of the population.
2. Improve the quality and quantity of education and training in rural areas.
3. Develop effective programs for farm youth who will find it necessary to obtain jobs outside agriculture.
4. Improve the distribution of public health, welfare, and education programs in rural areas.

*In this paper I have relied heavily on the material prepared by the National Advisory Commission on Food and Fiber in developing a policy position intended to be provocative rather than one with which I necessarily agree fully.

In foreign trade policy our goal is to move toward freer and less subsidized trade as a means of achieving more efficient use of both the nation's and the world's resources. We should seek to:

1. Take advantage of all economically feasible opportunities to expand commercial exports of farm products.
2. Devise policies for U.S. commercial agriculture which will facilitate freer world trade rather than hinder commerce.

Our goal in foreign economic development is to help meet the food needs of other countries and stimulate general economic growth in the interest of a more peaceful world. We should seek to:

1. Provide long-range economic and technical assistance to increase the capability of the developing countries to meet their food needs.
2. Furnish short-run food aid for emergencies within our capabilities and compatible with the goal of economic development.
3. Urge greater recognition that the ultimate solution to the world food problem rests on limitation of population growth.
4. Strengthen the multilateral approach to technical assistance and economic aid in general.
5. Remove obstacles which would prevent private enterprise from playing an expanding role in overseas economic development.

ANALYSIS OF FARM PROGRAMS

Farm programs in recent decades have been justified as attempts to equitably distribute the gains and costs of agricultural progress. Without these programs, consumers would have gained in lower real prices for food and additional transfers of labor to the nonfarm economy, but large segments of agriculture would have suffered. The programs have helped maintain farm incomes so that farm families might share more fully in the progress to which they have contributed.

The problem of equity in distributing the gains of progress will continue for some time. Capital and technology will continue to flow into U.S. agriculture, displacing both labor and land. Without some kind of programs to supplement farm incomes, the burden of this progress will continue to fall on agriculture and rural communities.

Yet we must ask ourselves these questions: (1) What types of programs are most efficient in distributing equitably the gains and costs of agricultural progress? (2) Are these programs consistent with other national goals and our international opportunities and responsibilities? (3) Do farm programs give equitable treatment to the people who are affected most by rapid farm progress—those who are displaced from farming with inadequate skills for industrial employment? (4) Must current-type programs continue indefinitely, or is it reasonable for the public to expect agriculture to accept programs which will face the excess resource problem directly and lead to greatly reduced public costs?

Since technological progress is in the national interest—and, indeed, is supported partly by government funds—it is also in the national interest to help agriculture make the necessary adjustments. Neither the nation nor the farm sector gains if the national policies help farmers avoid adjusting and thus maintain a historical structure that is no longer the most effective for our growing needs.

Programs for the future must be focused more sharply on helping agriculture adapt itself quickly and fairly to the ever-increasing pace of agricultural and industrial change.

The nation must look for the farm programs that are most efficient in distributing the gains of progress. The programs must be consistent with U.S. national goals, international goals, and opportunities. The programs should focus most heavily on the people suffering the most from agricultural progress—persons displaced from farming with inadequate skills for nonfarm employment and the low-income farmers, who cannot be helped with price support and land diversion programs.

The question is whether the new environment—continuing change in farm and industrial technology, rapid growth in world population, growing commercial exports of food and fiber, and growing economic expectations of rural communities and young people—now calls for a major adaptation of farm policies.

Benefits of Past and Current Programs

The compensation policies used over the past several decades have served important functions. Along with other emergency measures, they lessened the burden of the depression years. Adapted to the conditions of the postwar period, they helped stabilize and improve farm prices and income. They encouraged further advances in productivity per unit of input, while holding total output in check

so that farmers did not sacrifice unduly in lower incomes under a limited and inelastic domestic demand. They caused, often inadvertently, large quantities of food to be available for later use in international aid and Food for Peace programs. Very likely they served somewhat effectively—although again inadvertently—in restraining the rate of change and the outmigration of agriculture to a pace which could be absorbed by our rural communities and cities.

Limitations That Should Be Remedied

Yet these programs do have serious limitations which should be overcome as the nation turns to the future and prepares to provide greater economic opportunity for all its people, as it redefines and improves its role in international development, and as an increasingly complex and urban society places greater demands on its resources.

The major price and income advantages of present commodity programs go to larger farms with the greatest acreage and sales volume.

U.S. policies are tied too closely to land and its diversion, and not closely enough to the people who are being forced to leave agriculture, who have low incomes or are otherwise faced with extreme economic disadvantage.

The programs' benefits are capitalized into land values to an extent that their income contribution is largely dissipated for the next generation of farmers. They lead toward created surpluses and international food aid when the structure of U.S. agriculture should be better geared to commercial export demand and purposeful response to world food needs. Growing public outlays are required to contain production capacity under the combination of technological advance, increased yields, price support levels, and higher costs of farmer participation in supply control.

Several U.S. public programs are inconsistent. While the nation pays farmers to hold land out of production, it also pays them for using practices which increase yields on land that stays in production. Farm production capacity is increased annually through public investment in the development of irrigated lands. This country pursues larger export outlets for its products, yet prices them out of the foreign market through high support levels. It invites other nations to lessen their restrictions on trade, but protects its own domestic farm commodity programs through various systems of quotas, export subsidies, and other restraints on trade. It attempts to push income of farmers in general nearer the level of nonfarm persons,

but does modestly little to raise economic opportunities of low-income farm families to the level of large agricultural producers. It invests in new technology which displaces people from farms, but does very little to help those who are thus displaced.

The central guideline in U.S. agricultural policy has been equity. Parity prices have been presumed to reflect equity, but within the context of the structure and technology of modern agriculture, parity prices now have no meaningful relationship to equity.

The parity formula is not a valid standard for comparing economic opportunity in the farm and nonfarm sectors of the economy. It prices some commodities relatively too high and some relatively too low, in view of the technological advances, market outlets, and changed consumer preferences of the last sixty years.

The parity price concept does not measure equity for small low-income farms which gain little from commodity programs. For the opposite reason, it is meaningless for very large farms whose scale and cost advantages allow them to use a much smaller ratio of resources to output than the traditional farms of half a century ago. Parity is meaningless even for other farm families which suffer an income disadvantage in our modern economy. Price-oriented parity, along with acreage diversion programs emphasizing withdrawal of parcels of land from millions of farms in all producing regions, ties the pattern of agriculture too greatly to a much earlier period. As it binds the pattern of production to our wants, tastes, and needs of a fading past, it prevents U.S. agriculture from making the greatest possible contribution to international development and world food demand, and from bringing land use into line with modern opportunities, recreational needs, and long-run conservation goals.

A POLICY FOR GROWTH AND ECONOMIC OPPORTUNITY

Specific recommendations for redirecting food and fiber policy, both intermediate and long run, are in order.

The nation needs to strengthen those parts of our farm programs which extend national economic growth, efficiently and equitably compensate farmers for their contribution to this growth, and add to economic stability and other goals of the national society. It needs to modify other programs, such as those relating to conservation and natural resources, which are only partially oriented to the purposes for which they were created and which do not recognize the new conservation needs that have developed. It needs to add programs which better bring economic opportunity to many people who are

now bypassed on farms and in rural communities.

A principal requisite of agricultural policy is that markets should function freely to guide the changes in agricultural production and marketing that will be required in the future. This means taking increasing advantage of the market's ability to allocate resources and distribute incomes, in the interest of making the best employment of our labor, capital, and land.

A market-oriented agricultural policy would aim at improving the farmer's income in the long run by reducing the overcapacity of the industry. Positive steps would be taken by government to encourage adjustment of cropland and to help the people who are leaving agriculture anyway, under any policy, to make better incomes in nonfarm occupations. Government assistance to farmers would be furnished in ways which least interfere with the functioning of markets.

In this concept of market orientation, there is room for programs, public and private, that improve the operation of markets—marketing research and information, antitrust legislation, cooperative purchasing and selling, and collective bargaining. The federal government would also continue to operate foreign food aid and agricultural development programs.

As excess capacity is eliminated, agriculture will employ only those people, acres, and dollars that can earn a return comparable to what they would earn in other industries.

Parity for Agriculture

The first step in developing a policy for the future is to dispense with the parity price formula. The historical concept of parity prices is obsolete and inconsistent with the structure and technology of modern agriculture and should be supplanted as a device for measuring and evaluating changes in net farm income.

The parity price index measures the purchasing power of farm products in terms of the goods and services which farmers could buy with the same products in the base period (1910-14). This purchasing power concept is not a true test of equitable prices in a dynamic economy.

All parity price measurements generally become quickly outdated. They do not take into account changes in farm productivity. When science, technology, or management improve, the farmer may be able to sell his product for less and still earn the same rate—or better

—on the resources he has invested. In addition, the price of a commodity should change with changes in supply and demand in order to guide production decisions.

The parity price concept also leaves out the very important questions of the number of farmers and the distribution of income within farming.

A new concept of *parity income* for farmers should be developed and put into use, taking into consideration changes in productivity. This concept should be based on comparing the returns to labor, capital, and management used in farm production with the returns on such resources used in other parts of the economy.

AID FOR DEVELOPING COUNTRIES

The long-run solution to the world's hunger problem must come through population planning and through increased food production in the hungry countries.

The developing countries have the basic natural resources to produce much greater quantities of food. However, they lack the technical knowledge, the managerial experience, and the capital to make large enough and rapid enough improvements in their agriculture without help from other nations.

The main weapon in the war on hunger, then, must be technical and research assistance in agricultural development and population control. The seriousness of the problem dictates that our technical assistance effort must be much larger than it has been in the past.

Food aid should be available for disasters, crises, and emergencies, and as a transitional measure in a definite, short-term program for agricultural self-help in developing countries. However, it should be fully coordinated with long-run aid programs to guard against depressing prices for local food producers or contributing to the complacency of recipient governments about their own agricultural development.

U.S. aid programs should be oriented heavily toward technical assistance for increasing food production and population planning. To be stressed is the need for building and staffing of local institutions in these countries for research, education, credit, and the other functions needed to support a modern agriculture.

There should be a continuing effort to achieve greater coordination of our food and technical aid and a sensitive meshing of U.S.

trade and development policies with domestic farm policies. It has been suggested that authority above the cabinet level may be needed to achieve this coordination.

CHANGES IN CURRENT FARM POLICIES

Significant progress could be made in achieving the policy goals through some changes in current policies and programs.

1. Price supports should be set modestly below a moving average of world market prices to permit U.S. farm products to compete in world markets.
2. The United States should rely more heavily on direct payments in protecting farmers' incomes, since these interfere less in the market than do high price supports, export subsidies, and import quotas.
3. Acreage allotments and marketing quotas should be negotiable or transferable, to facilitate crop acreage changes to meet future market demands and to encourage growing each crop in the most efficient area.
4. Federal funds for reclamation, irrigation, and land development projects should be justified only if the projects are the cheapest way of getting additional farm production—if needed.
5. Public subsidies for capacity-increasing farm practices (such as the Agricultural Conservation Program payments for liming and drainage) should be discontinued.
6. A national security food reserve should be established, including stocks for emergency food aid. This reserve should be isolated from the day-to-day operations of the market.
7. The United States should seek further liberalization of world trade, particularly in farm products.
8. The United States should lead in eliminating export subsidies and import quotas, substituting other methods such as tariffs or direct payments for protecting farmers' incomes.
9. The United States should put trade with the Soviet Union and Eastern Europe in nonstrategic goods, including food and fiber, under the same rules which apply to the rest of the world.

Encouraging Land Use Adjustment

The United States has more acres devoted to crops than are needed to meet effective demand now or in the foreseeable future, and the crop acres with the least comparative advantage for crops and the highest risk of wind or water erosion should be shifted to less intensive uses. It is recommended that a program patterned after the Great Plains Conservation Program and the Cropland Adjustment Program be offered in all marginal cropland areas, to provide the incentive for land use shifts and to indemnify affected persons, communities, and regions.

Better Opportunities for Rural People

The most important—and neglected—problem in agricultural adjustment is finding better opportunities for the farm people who are being displaced from agriculture by the technological revolution.

The Commission recommended specifically that:

1. Federal assistance should be provided, where needed, to improve the quantity and quality of education and training in rural areas.
2. The Federal-State Employment Service should be expanded and improved to help rural workers find better off-farm jobs.
3. Farm families should receive federal payments, where needed, to cover the minimal costs of relocating in nonfarm jobs.
4. Farm workers should not, by federal or state exemptions, be denied the benefits deemed in the interest of other wage earners. Rural workers should have the same protection as urban workers in such important areas as workmen's and unemployment compensation, social security, collective bargaining, and minimum wages. Where existing law and regulation cannot sensibly be applied to rural workers by simple extension or amendment, new laws should provide equal protection and opportunity.
5. Underemployment, characteristic in rural areas, should be reported as systematically as unemployment rates, to give the nation the full picture of its unused labor.
6. Rural communities should explore ways of bringing their public services up to urban standards through multicounty and intercommunity organization.

7. There should be increased public investment in roads, educational facilities, and other public services of rural communities, in industrial parks, and in other undertakings to encourage more job opportunities in rural areas.
8. A minimum annual income opportunity of \$600 per qualified person should be provided for: (a) persons 65 or older whose work experience is predominantly within agriculture no matter where they presently live; (b) persons of any age who were disabled in agriculture or agriculture-related work at any time in the past; and (c) survivors of agricultural workers who—had the workers been employed in a nonagricultural industry—would now be receiving benefits due widows and dependent children.
9. The same income opportunity should be made available to low-income rural workers as “underemployment compensation.” This would depend on the worker accepting needed training or movement, also his accepting reasonable job opportunities.
10. A public-service employment policy for rural areas should be integrated with the minimum income opportunity and with the training and relocation programs. Such a program could offer the unemployed and boxed-in rural resident more than the minimum income while increasing his productive output.

IN CONCLUSION

In summary, the analysis indicates that we must stretch our imaginations to the future and to the opportunities which accompany it. Farm policy, in order to accommodate the revolution in U.S. agriculture and to meet the needs of a hungry and restless world cannot be built on an edifice of nostalgia, nor with the bricks and mortar of programs fitted to a depression era. U.S. policy for the 1970's and beyond must be geared to the proposition of providing opportunities for rural people rather than restraining them; to a philosophy of abundance rather than scarcity at home; to the principle of further opening markets abroad for the produce of our farms, and vice versa, rather than a reversion to greater protectionism; and finally to a system of assistance in the developing countries which will result in their long-term growth, rather than a series of short-term expedients with surpluses and food aid as their principal instrument.