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GROUP 1 (*c*). FARM POLICY, DEVELOPED ECONOMIES

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Each nation with a 'developed economy' has farm problems that call for actions by the central government. Ideas and principles that guide these actions are the ingredients of farm policy.

Farm policy problems are derived chiefly from a rapidly expanding capacity to produce farm commodities in the face of a slowly expanding demand for farm products. Thus, the prices of commodities, incomes of farmers and the structure of the agricultural industry, are the chief focal points of policy and programmes. Each developed nation strives to reduce the disparity between incomes of farmers and of others, and to improve the structure of its agricultural industry.

An improved agricultural structure usually means fewer farms and fewer farmers. Recognition of this fact is a noteworthy development in thinking on agricultural affairs.

Discussions in Group 1 (*c*) were not always clear regarding the precise goals of farm policy. Incomes of farmers and the structure of firms in farming claimed most attention. Aggregate income to agriculture, the equilibrium between agriculture and other industries and equilibrium among nations also claimed attention in the discussion.

As an aid to thinking about farm policy, the Discussion Group readily accepted a rough division of farms into three classes: (1) those which are presently well adjusted to economic and technological conditions of production; (2) those which need structural change to

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bring them into optimum adjustment; and (3) those which are too small and too poor to survive in the commercial farm economy. This classification sharpens discussion of farm policy, but precise definitions and specific programmes for each class are difficult to derive.

The general level of prices for commodities, prices for land and the operation of the land market, affect the classification of farms into the above three groups. When land is transferred freely between owners, the advantages of price polices tend to be capitalized into land prices. When land transfers and rents are limited, land operators (as distinct from land owners) tend to reap the benefits of price supports. Thus land policy affects the results of commodity price policies.

Exporting countries commonly intervene directly in the markets for major commodities to achieve price goals; importing countries commonly intervene in agricultural trade at national boundaries for the same purpose. Both types of countries use at times other controls on trade, including state trading and institutionally controlled trading conditions.

Farm policies include, also, the provision of direct income supplements to farmers. Some direct payments vary with volume of production. Others are made to farmers regardless of size of operation. The Discussion Group recognized that these different devices have different effects on allocations of resources to, and within, agriculture.

Farm price policies embrace inputs as well as products. All developed nations have a series of concessions to farmers affecting the price and availability of goods and resources used in production. Generally the farmers who use the most inputs benefit most from these measures.

Nearly all modern nations recognize the need to reduce the amount of labour used in farming. Most countries have programmes to increase the mobility of farm labour, including aids for training in non-farm jobs. Availability of non-farm work is recognized as crucial to the success of programmes intended to reduce redundant labour in farming. In addition, several nations encourage early retirement of farmers.

Since it is provided from public funds there must obviously be strict limits on the amount of money available for carrying out farm policies. However, the consequences depend on the way the restraints operate and this is a source of anxiety to those concerned with farm policy. For example, if the available funds are absorbed chiefly in supporting commodity prices, little may be left for programmes to improve the structure of agriculture. Structural change seems to offer long-run benefits to the farm economy, particularly in countries where the opportunity costs of farming are high. But structural change in agriculture does not necessarily avoid the need for commodity programmes.

The Soviet delegates informed the Group about the price-making system in the U.S.S.R. Prices for food commodities are made to cover productive work and to assure profits for all normally operating farms. Securing intensification of agriculture and growth in production are the chief policy problems there at present.

The Discussion Group recognized the relation between farm policies of 'developed economies' and those of 'developing economies'. The conflict between food aid as a device for surplus disposal and as a device for investment in developing economies worried those concerned with policy in both exporting and importing countries. The level of production of farm commodities in developed economies expands easily but contracts painfully. Thus surplus-producing countries are likely to continue to push some farm products into developing countries even at a loss.

To summarize, economists commonly deal with domestic farm policies designed to alleviate domestic problems. Domestic farm programmes often have important international implications. Our profession has an obligation to show the way toward rational farm policies and to look beyond national boundaries when considering the economics of domestic farm policy.