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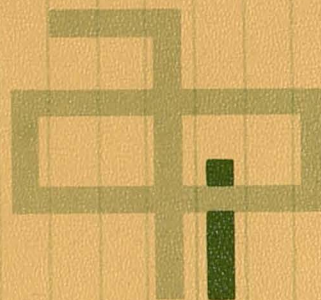
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# Policies Affecting Rural People

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## AGRICULTURE--MIDWAY IN THE 1960's: COMMENT\*

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This presentation represents my re-entry, after an absence of two and a half years in Southeast Asia, into professional discussion of U. S. domestic agricultural policy. I am afraid the appropriate sociological categorization of my reactions to the current state of discussion would be in terms of severe "cultural shock." A psychologist might identify the same behavior as being "out of touch with reality."

The problem I find in reorienting myself is not simply one of difference in the objectives of agricultural policy in Southeast Asia and in the United States, although the objectives are, of course, quite different. In Southeast Asia a major objective is how to push the rate of growth of agricultural output from around 3.0 percent per year into the 4-5.0 percent range. The U. S. objective apparently remains that of holding the growth rate below 2.0 percent per year. (How does an economist from a country in which a technically progressive highly commercial agriculture which has been increasing its output at approximately 2.0 percent per year presume to counsel his colleagues in countries in which a technically static subsistence agriculture has been increasing its output at a rate of approximately 2.0 percent per year on how to raise the rate of output growth?)

To me the really significant change over the last two and a half years is the remarkable consensus which has apparently emerged, at least among agricultural policy analysts, with respect to the directions price and income policy can be expected to take over the next several years. Most analysts, including Bottum and Mayer, apparently agree income support for commercial agriculture will be less closely tied to price support in the future than in the past. This is apparently dictated more by the necessity of "rationalizing" our commercial export and surplus disposal activities than by the fine logic of the resource allocation

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\*Comment on J. C. Bottum and L. V. Mayer, "Agriculture--Midway in the 1960's," presented at the Sixth Annual Farm Policy Review Conference, North Carolina State University, December 2-3, 1965.

arguments which used to be brought to bear on this same proposition. I do find it somewhat confusing that Bottum and Mayer refuse to utilize the term "direct payments" to describe the emerging system, but I suppose this rigidity in terminology reflects a trace of residual heat in the burned out ashes of some warm arguments of the early and mid 1950's.

It is equally surprising to me the legislative foundation for the current policies can, as Jim Bonnen so clearly pointed out in his paper at the Stillwater meeting last summer,<sup>1</sup> be traced so clearly to the PL480, soil bank, and related legislation of the mid 1950's. (The intellectual history, of course, goes back to Secretary Brannen and before that to George Peek and the McNary-Haugen legislation of the 1920's.) It must also have been a surprise to Secretary Benson, and an even greater surprise to Will Cochrane and Secretary Freeman. I even suspect the extent to which his proposal for an 18 cents per bushel compensatory payment on corn in 1962 represented a major ripple on the wave of the future has been a bit of a surprise to Congressman Quie.<sup>2</sup>

I am also appalled at the effort that could have been saved in 1961-63 if trends could then have been defined a bit more clearly. Don Horton and I both recall USDA-BOB-CEA discussions during that period in which the USDA representatives were very certain Congress would never separate income payments and price supports to the degree that has been achieved in the 1965 Food and Agriculture Act.

All this agreement leaves me remarkably little to discuss in the Bottum-Mayer paper. I could, of course, be academic and insist somebody provide a rigorous economic exposition of the specific criteria they use in identifying how much land in agriculture is too much. Apparently we have already made the decision, however, it is good economics to provide incentives for farmers to substitute fertilizer for land.

I might also ask where the authors found a production function in which the elasticity of output with respect to land is sufficiently high to imply a 13 percent decline in acreage is capable of reducing output by

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<sup>1</sup>J. T. Bonnen, "The Crisis of the Agricultural Establishment," Journal of Farm Economics, Vol. \_\_\_\_, No. \_\_\_\_, December 1965, pp. \_\_\_\_.

<sup>2</sup>D. F. Hadwiger and R. B. Talbot, Pressures and Protests: The Kennedy Farm Program and the Wheat Referendum of 1963, Chandler Publishing Co., San Francisco, 1965, pp. 228-232.

6 to 7 percent. This is also a technical detail which should probably not trouble this discussion.<sup>3</sup>

I would like to concur in the emphasis the authors gave to the significance of competition between payments for land retirement and incentives to participate in commodity programs. In Minnesota incentives are now such that there is little or no advantage for producers of food and feed grains to participate in the Cropland Adjustment Program.

Bottum and Mayer have identified a number of issues which will require discussion and debate over the next several years. Most of these are related to tidying up the gaps in the 1965 Food and Agriculture Act.

One issue which they identify, that does fall outside the framework of the new "permanent legislation," is that of bargaining power between farmers, suppliers and marketing organizations. My own impression is that this issue has been, and is, of very little real substance and farmers will be no more successful than labor in exerting any aggregate impact on intersectoral income distribution.

Another issue is the human resource problem in agriculture. This is another issue about which I cannot generate as much personal excitement today as a decade ago. Total agricultural employment has declined to the point where it barely exceeds total unemployment.<sup>4</sup> The problem of underemployment in agriculture is part of the more general problems

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<sup>3</sup>Judging from a rather large sample of production function studies the elasticity of output with respect to land typically ranges from .15-.30. If whole farms rather than parts of farms are withdrawn from production the elasticity would, assuming the same quality of land, be expected to be somewhat greater. It seems reasonable to expect, however, that land productivity in the whole farms that have been withdrawn from production was, on balance, lower than the average for all farms in the same area.

<sup>4</sup>EMPLOYMENT BY SECTOR IN THE UNITED STATES  
1880-1964 and Projections to 1975

	<u>Agriculture</u>	<u>Total Non-Agriculture</u>	<u>Manufacturing</u>	<u>Unemployment</u>
1880	<u>8,585</u>	<u>8,807</u>	-----	-----
1929	<u>10,450</u>	37,180	<u>10,534</u>	1,550
1964	4,761	59,097	17,593	3,876
1975 (est.)	<u>3,808</u>	73,871	21,111	3,745

Sources: (see page 16)

of regional development, civil rights and equality of educational opportunity that can no longer be effectively categorized in terms of rural or urban.

Similarly it is becoming increasingly difficult to discuss commercial farm problems within the rural-urban dichotomy. In many respects agriculture is becoming just another one of the regulated industries like transportation or power. And like transportation and power, legislation will be increasingly designed and passed by congressmen who do not "represent" the industry being regulated. Given the record of farm legislation over the last forty years, I do not regard this prospect as a calamity.

Although not mentioned explicitly as either an area of policy agreement or disagreement by Bottum and Mayer, food aid is a subject on which I expect to see vigorous debate during the coming year. There are strong forces which are urging on approximate doubling of U. S. food aid over the next several years.

Supporters of this position draw their rationale, and their motives, from a number of sources. There is always the humanitarian concern with "starving millions" in the underdeveloped world and the prospect of a worsening food crisis in the decade ahead. Related to this are (a) the idled acres, (b) the empty elevators, and (c) the excess production capacity in the farm supply industries resulting from the success of "voluntary" programs during the 1960's.

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Footnote 4 (continued)

Sources:

- 1880 and 1929: U. S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957, Washington, D. C., 1960.
- 1964 Information: Monthly Labor Review, Vol. 88, No. 6, United States Department of Labor, Bureau of Labor Statistics, June, 1965.
- 1975 Projections: Howard Stumbler, "Man Power Needs by Industry to 1975," Monthly Labor Review, Vol. 88, No. 3, United States Department of Labor, Bureau of Labor Statistics, March 1965. Projections assume a 25 percent increase in total nonagricultural employment, a 70 percent increase in employment in manufacturing and a 20 percent decline in agricultural employment from 1964. Unemployment is estimated at 7 percent of the labor force.

This is not the only perspective, however. There is a growing body of evidence indicating that peasant farmers in so-called traditional agriculture do respond to price changes and that the elasticities which describe these changes are of roughly the same order of magnitude as the supply elasticities which describe the behavior of farmers in the more developed economies.<sup>5</sup> There is also a growing amount of evidence to the effect that most recipient countries do not possess the capacity to administer food aid in such a manner that it can be effectively insulated from commercial channels through use in development projects.<sup>6</sup> The implication of these two sets of observations is that food aid is, in a number of countries, acting to reduce incentives to produce and dampening the rate of agricultural output growth.

I anticipate during this next congressional session substantial disagreement between the proponents of massive food aid and the proponents of increased emphasis on a set of development policies consisting of (a) support for agricultural research and extension, (b) capital investment in irrigation and land development and (c) intensified efforts to implement effective population policies. Standing along the sidelines will be also a number of voices which question the wisdom, and stand ready to cut budgets, of programs that support any developmental activity which can be interpreted as increasing a low income country's ability to produce agricultural products which might be exported from the United States.

It is symptomatic of the current power of what some analysts have termed the "Agricultural Establishment" that it is no longer politic, at either the executive or legislative level, to overtly cast this issue in terms of "what is good for U. S. agriculture." Each side must develop a rationalization for its proposals in terms of broad developmental and humanitarian interests understandable to the urban voter or to his representatives in Congress.

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<sup>5</sup>For a summary of these findings see M. Mangahas, A. R. Recto and V. W. Ruttan, "Market Relationships for Rice and Corn in the Philippines," International Rice Research Institute, College, Laguna, Philippine, September 1965. (To be published in a forthcoming issue of the Philippine Economic Review.)

<sup>6</sup>V. M. Dandekar, The Demand for Food, and Conditions Governing Food Aid During Development, UN, FAO, Rome 1965 (World Food Program Studies #1).