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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

ADAPTING AGRICULTURAL PROGRAMS FOR WAR NEEDS *

by
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General Considerations

The scene is changing so rapidly that it seems almost foolhardy to analyze agricultural programs in the light of war needs for agricultural products, but we cannot escape the necessity of grappling with the problem. The job is analogous to the war plans of the War Department. The Army must be prepared for surprise moves by the enemy and therefore must plan for any situation that may develop. By comparison with other war planning, the job of adapting agricultural programs for war needs does not seem quite so difficult.

In fact, the reality of war has simplified the job. We can now concentrate on an "all-out" effort in food and fiber production to meet our own military and civilian needs and those of our allies under all possible contingencies. Even in this situation, small supplies of some products such as oil crops, cheese, and evaporated milk represent a real challenge to our productive genius, while supplies and productive capacity of others like cotton and wheat are more ample. In this emergency we have many immediate tasks. National agricultural programs should be planned in such a way that they can be quickly shifted to meet any unforeseen changes in the situation. The 1942 production goals are now being revised in the light of recent developments. We must plan to supply the kind and quantity of food and fiber that may be needed by American expeditionary forces, and for increased shipments to our allies under the lend-lease programs. This means planning for "stock piles" or reserve supplies of all storable commodities.

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* The author has received many helpful contributions to the development of this paper from his colleagues in the Bureau of Agricultural Economics. Special mention should be made of suggestions by F. T. Hady, R. L. Mighell, W. F. Finner, K. L. Bachman, H. L. Stewart, R. C. Tetro, Neil W. Johnson, C. W. Crickman, and R. P. Christensen who, along with many others, have been working during the past year on the problem of regional agricultural adjustments for the war emergency. The author alone is responsible for interpretation of the various suggestions. The specific proposals made in the paper should be considered as personal and preliminary proposals that are advanced for discussion purposes rather than as reflecting a Bureau or Department viewpoint on the problems under consideration.

(b) Major Premises

Several major premises should precede any analysis of the type of programs needed:

(1) Winning the war is now the most important problem, and primary consideration in development of agricultural programs must be given to provisions that will contribute whatever is necessary to meet war needs.

(2) A war program of the scope and magnitude that we must visualize today cannot be carried out without involving real sacrifices by all citizens of this country. Farmers must expect to bear sacrifices proportional to the rest of the population. If in any area or line of production they are called upon to bear much greater sacrifices than other groups of citizens, arrangements should be made insofar as possible to compensate them for the additional burden.

(3) The war situation requires a rigorous examination of present agricultural programs in terms of their adequacy for the job to be done, and additional legislation may be necessary to accomplish the job.

(4) As a given proposal is being tested to determine its effectiveness to carry out the war job, it needs also to be examined concerning possible favorable or unfavorable effects on farmers or on other sectors of the economy (a) during the emergency period, and (b) in the post-war period. Preference should be given to lines of action which can be adopted quickly and smoothly, and yet leave the economy in the best position for post-war readjustment. In many areas emergency programs can be developed which actually will promote adjustments in agriculture that are desirable both from a war and long-term point of view.

(5) It is assumed that the number of people who will be supported in agriculture in the post-war period should not be more than the number that will have an opportunity to obtain an adequate living from agricultural production. This requires that means be found to continue nonfarm employment opportunities for the people that are now being attracted to war employment and for the farm youth growing to maturity that will not find an opportunity to make an

adequate living on the farm. 1/ If this assumption is valid we need to open up one-way traffic lanes of escape from congested rural areas during the war period, and to provide nonfarm employment opportunities later to take the place of war work. Work in war industries plus military demands on rural youth also means that labor shortages will develop in most commercial farming areas during the emergency, and that steps should be taken to minimize the ill effects of labor scarcity.

(6) This paper also assumes that some form of price legislation will be enacted, and that inflationary tendencies will be at least partially controlled. Overextension of credit in agriculture for repayment in the post-war period, and speculation in land must also be prevented. The kind of measures that need to be taken for prevention and control of these forces is the subject for a much broader discussion than the scope of this paper.

(7) The war emergency period is considered as including not only the duration of the present conflict, but also at least a 2-year period of world readjustment following the war. In the immediate post-war period stock piles of food will be needed to "help write the peace." 2/ This assumption reinforces the necessity of plans for emergency stock piles of all storable commodities. On this point Secretary Wickard recently made the following statement:

> "The program of buying, or obtaining through loans, some of the vital foods which can be stored, offers still another means of reducing the farmer's risk of turning out price-breaking surpluses. . . . . The risks are far greater if we produce too little than if we produce too much. We're going to take whatever risk there is in producing abundantly. If we do I'm positive that the American people will not let us farmers down.
>
> "Of course, we ought to be rational about farm production and not waste scarce labor and scarce steel and scarce chemicals in producing things that we already have in abundance. But in the production of the things that we've got to have to serve the national interest, we just can't afford to risk having a little too little. * * *

1/ Nonfarm employment might desirably involve rural living but nonfarm work.
2/ Despite the lack of planning for transition to peace in World War I our agricultural exports remained on a high level in 1919 and 1920.

"Our goal for the post-war years must be to join as free men, each of us in all lines of production, to turn out enough of everything even at the risk of turning out a little too much. So long as there are hungry people and people needing the necessities of life in this country of ours, there is no such thing as too much in industry or agriculture." 3/

Achievement of Increased Production and Its Repercussions

Secretary Wickard's statement gives the clue that is needed to prepare for an "all-out" effort in agricultural production. In the first place, the national cost of food preparedness (in the form of stock piles of food that can be stored) is minutely small in relation to the total cost of our war effort. And it may turn out to be our most vital contribution. We need to conquer the fear that has been generated by the surpluses that have plagued us so consistently for the past 20 years, and strike out boldly to provide adequate food supplies -- for current consumption, for war needs that can now be foreseen, and for stock piles of storable commodities to meet unforeseen needs. We also need to plan carefully to determine where and in what commodities still further increases can take place if necessary. We must also consider the local processing and marketing problems that will arise as a result of changes in production.

Of course, a realistic answer is needed to the question of what will happen to farmers after the war and the immediate transition period are over if they greatly increase production in response to present needs. One part of that answer is that a "food for health" program may be needed after the war to replace our present "food for freedom" program. We are not likely to make all of the needed progress on better diets during the emergency. The volume of food production will not be large enough to do that and at the same time provide the necessary military and lend-lease needs. High prices also are likely to retard increases in consumption. 4/ Bolstering the diets of low-income people therefore will take up part of the slack when the war is over. But the question will be answered more significantly by whether we have learned from our experience since the last war the lesson of maintaining employment and purchasing power of consumers in this country during the transition from war to peace.

3/ Wickard, Claude R. The Farmers' Part in Making the America of the Future. Address at the 75th Anniversary Meeting of the National Grange, Worcester, Mass., Nov. 13, 1941, p. 9.

4/ There is considerable evidence that the rapid rise in prices of butter and cheese during the last half of the past year has reduced the volume of consumption below the levels of the same period in the previous year despite a larger total consumer expenditure for these products.

In order to get some measure of the extent of the need for farm products under a "food for health" program that would provide reasonably adequate diets for the entire population we can estimate the food and fiber needs of our present population in terms of the "moderate cost adequate diet" suggested by the home economists. 5/ If we also assume the same level of exports as in the period 1935-39 we come out with a total volume of needed farm production 16 percent higher than the 1935-39 period. 6/ This does not allow for increases in population, for increased industrial uses of farm products, or for possible increases in exports above the 1935-39 levels. We should look forward to more world trade in the post-war period, but this may call for imports of some agricultural products to offset larger exports of some others.

If the situation at the present time is at all analogous to World War I we need to fear more the possibility of agricultural production not increasing sufficiently to meet war needs than we do the piling up of unmanageable surpluses. Despite the stimulus of highly inflated prices in the last war — prices that rose faster and farther than farm expenses — there was no startling increase in the total volume of farm production. From the period 1910-14 to 1918-19 the total increase was about 8 percent. 7/ If our lend-lease exports were to double in volume, this alone would call for an increase of 6 percent above the high production levels of 1941. Our own military needs for food will be stepped up materially. We also need to consider how our food supply would be affected in 1942 by a drought like that of 1934 or 1936.

We are not likely to repeat all the experiences of the last war. We then found it necessary to plow up the prairie sod to raise more wheat. We had "wheatless" and "meatless" days. This time we not only have plenty of wheat; we also have a farm plant that from the standpoint of land requirements is fully adequate to produce the products that are needed. However, the quantities of other productive resources may be sufficiently limited and high in price to act as effective brakes on increases in production. Farmers will feel a more acute pinch on labor than in the last war. Military and civilian war employment will draw ever-increasing numbers of young men from farms. Machinery which would substitute for labor will be scarce, and because American farms are more highly mechanized today than they were in the last war, more equipment will be needed for replacement of worn out machines. Thus, there may be little opportunity to substitute machinery for labor in order to step up production. As the war progresses, fertilizer, spray material, and other farm supplies will also become scarce.

5/ Prepared by Hazel K. Stiebeling, Bur. of Home Economics, U.S.D.A.
6/ Calculated on the same basis as the revised BAE index of volume of agricultural production.
7/ Computed from the revised BAE index of volume of agricultural production. There was of course a large increase in wheat acreage.

Of course, it would be relatively easy to get increased production along some lines under our present price-supporting programs — in wheat and cotton, for instance. But so far as we now can foresee, we do not need increases in these crops. At least we need greater increases in livestock products, in oil crops, and in fruits and vegetables, — increases that will be quite difficult to get. In dairy production, for instance, the length of the production cycle for cow numbers places an upper limit on increases within a given period.

The fact cannot be overemphasized that to get increased production in the farm products that are most needed, considerable shifting of enterprises will have to take place on the farms of this country. Therefore our farm programs need to effect those shifts without jeopardizing unnecessarily the long-time farming possibilities of the areas concerned. They also need to take advantage of the unused capacity of individual farms and farmers.

In the past year we have heard the statement many times that if farm prices are sufficiently high we need not worry about the volume of farm production. The writer is quite willing to recognize that high prices can stimulate production of products that have a short production cycle; unless they are offset by costs rising even more rapidly or by other factors, such as a serious shortage of labor. 8/ To get a planned increase in the total agricultural output is an entirely different problem, especially when it involves much shifting of farm enterprises. Rapidly rising and extremely high agricultural prices can also set in motion some very undesirable forces that may result in tragedy for farmers as a group. This paper is not intended as a discussion of the general inflationary aspects of rapidly rising farm prices, but it is difficult to refrain from mentioning that there would be no easier way to alienate the support of other groups for reasonable agricultural programs than to give justification for an outcry about the "high cost of living." Effects almost as detrimental would be exploitation of soil resources that result in irreparable damage to the farm plant, and overinvestment in land and capital equipment that would constitute fixed charges in the low price period that would inevitably follow.

To prevent such a catastrophe we need to think about ways in which the adjustment machinery developed in the depression emergency can help carry through the war emergency. Adapting these programs to our present problems does not consist merely of throwing the production control machinery into reverse gear. We still need controls for cotton, wheat, and tobacco, but we also need active stimulation of production of dairy products, oil crops, etc. As a matter of fact, some of the needed increases will compete with each other, and the respective stimulants will need to be carefully administered to get proportionately desirable effects.

8/ But production will be stimulated by the high prices of the previous crop, i.e. after the shortage has already occurred, and this may set in motion shifts that cause shortages in other lines.

Program Adaptations

In adapting our agricultural programs for the war emergency perhaps we can apply one of the oldest institutional devices that we have for regulating farm production — the "classified price" plan under which milk going into different uses receives different prices. This approach can be combined with our experience in making individual farm allotments under the AAA program. We can establish for each farm a "base production allotment" both for such surplus crops as cotton and wheat and for the deficit products, such as milk, meat, oil crops, and vegetables.

Application to War Deficit Products

A classified price plan for deficit products would involve paying a higher price for the additional or "war production" than for normal production as reflected in the "base production allotment." The "base" for each farm would be established as an individual farm share of normal domestic consumption of the product considered. The way in which it should be determined for each farm will be discussed later. Farmers would understand that this "base" represented their share of the normal demand for dairy products, for instance. But because of the war emergency we need much more than normal production, and the question becomes one of how to stimulate the desired increase.

Farmers may be well satisfied with present (or parity) prices for their normal production but these prices may not be sufficiently high to make it worth while to increase production above normal output. The additional return to the farmer should therefore be sufficient to pay for all costs directly attributable to the increase plus whatever incentive is needed for his risk and effort in producing the increased product. It is important that farmers realize the source of the increased demand; also the likelihood of its temporary nature. But realizing that, they may be more reluctant to expand production unless adequate incentives are provided. 9/

In dairy production it would appear to be most feasible to make a special payment directly to farmers at the end of each month or each quarter in proportion to their increase above the "base production allotment." This would then constitute a bonus payment per unit of output above the normal production. 10/

9/ Incentives for increased production may need to include not only adequate payment for current additional costs, but also an advance guarantee of minimum payments over a period that covers the length of the production cycle.

10/ F. T. Hady, who first suggested to the author the price separation of "war production" of agricultural products from "normal production," advanced the possibility of directly contracting with farmers for purchase of the increased output. See "Farming Adjustments in the Corn Belt and Lake States to Meet Defense Needs," which was prepared under the direction of F. T. Hady, for another discussion of this proposal.

It should be noted in passing that this proposal, i.e. providing higher prices for the additional or "war production," can be reversed if a surplus situation develops after the war. The government could offer a market at a much lower price for the output in excess of the normal production in order to tide over a transition period. Purchases of that type would be disposed of outside of "normal distribution channels."

Application to Surplus Products

For the surplus crops, such as cotton and wheat, the "base production allotment" again would be the individual farm share of domestic consumption. Applying the proposal to cotton, the farmer's "base production allotment" would be eligible for the 85 percent of parity loans provided by recent legislation. 11/ "Base production certificates" should be required for the disposal of this part of the cotton crop. "Surplus" cotton, or the amount produced in addition to the "base production" could be purchased by the government at a very low price — say 5 cents per pound. It would be diverted into byproduct uses, into noncommercial channels, or possibly to export. If too much "surplus cotton" were produced even at such a low price it might have to be lowered even further, or the offer to buy surplus cotton could be limited to a certain ratio of the base production allotment.

In the cotton areas where there are other production alternatives another attack on the surplus problem would of course be additional payments for the production of soil-conserving crops and other alternative enterprises of which we need increases in production. This point will be taken up later.

In the case of wheat the application of the "base" and "surplus" production principle would be relatively easy because there already exists a wide market for the surplus wheat as a livestock feed. 12/ A "base production allotment" would be established for each farm in relation to domestic consumption for food uses. Certificates would be issued to each producer for the marketing of this "base production," which would be eligible for the 85-percent parity loans and for purchase by millers, with the provision that marketing certificates accompany each purchase.

11/ Which, of course, recognizes changes in basic price-cost relationships.
12/ R. L. Mighell and Einar Jensen in the spring of 1941 proposed a "feed materials program" which involved disposing of surplus wheat for dairy feed at relatively low prices to producers who increased dairy production. The income effect of such a program on dairy farms would be similar to paying a higher price for additional dairy products. Mighell has recently restated this suggestion in terms of a classified price plan for wheat similar to the above proposal.

The surplus wheat could be fed on the farm or marketed as feed at a price comparable to other feed grains. With "surplus wheat" at feed prices other feed grains probably would be produced wherever they yielded more feed per acre than wheat. Aside from the amount that might be needed for export the "surplus wheat" to be marketed without certificates could be marked in some way to prevent its reconversion for food use. 13/

Determining Base Production Allotments

So far we have not been concerned with how the "base production allotment" for surplus or deficit products should be determined for each farm. They could of course be established mechanically - on the basis of historical production, or the percentage of cropland. The best method would be to work out with the operator of each farm a long-time farm plan which would consider the need for soil conservation practices, and the kind of crop and livestock organization that would best fit the farm under more normal circumstances. From such a plan the "base production allotments" would be derived for each farm.

Only by adjusting "base production allotments" to the land resources on individual farms can adequate recognition be given to the wide variation in need for soil conservation, and therefore to the desirability of expansion or contraction of soil-depleting crops. In that way smaller bases for soil-depleting crops would be established on farms with rolling land and thin soil than on farms with deep soil and level land, where there is less possibility of soil damage. Additional payments for increasing production of deficit soil-depleting crops, such as soybeans, should also be limited on the farms with poorer land. This means that the lack of opportunity to share in "base" and "war production" privileges attached to soil-depleting crops would need to be offset by relatively larger "base" and "war production" of roughage-consuming livestock, and by additional payments for soil-conserving practices. 14/

13/ It could be colored, mixed with rye, or cracked if a long storage period is not required.

14/ Evidence that this problem becomes extremely important as we swing into "war production" is the fact that the same corn acreage as 1941 plus 1942 production goals of soybeans for grain gives a total of these two soil-depleting crops that is 7 to 8 percent larger than their combined acreage in the 1928-32 period for the States of Illinois, Indiana, and Ohio.

In the early years of the agricultural programs it probably would have been impracticable to try to establish bases on individual farm plans. However, with the experience gained in historical approaches to acreage allotments, the land productivity inventory made by the AAA in the North Central Region in 1938; and with the experience of the SCS, the FSA, the BAE and the agricultural colleges in farm planning; and the nationwide intentions canvas recently completed; the stage should be fairly well set for an individual farm plan approach. If all the forces that can make a contribution to this problem are mobilized — the farmers themselves, the farmer committeemen, and the technical agricultural workers — the job can be fairly well done. If only a part of the SCS, FSA, state college and Smith Hughes workers who are familiar with the farm planning problem were assigned to this job, perhaps as many as five or six farm planning specialists might be available in each county to work with farmers and farmer committeemen. The job, of course, needs to be carried out with as much objectivity as possible. Similar situations need to be given the same type of treatment. 15/ From that standpoint the job is analogous to local assessment for taxation. 16/

Payment Rates

A difficult part of a program of this type would be to arrive at satisfactory rates of payment for "surplus" and "war" production, and for soil conservation practices that will shift farm production in the direction that it should take for the war period and its aftermath. The rates of payment for surplus products should be in line with the possibility of disposing of them in byproduct uses, or in desirable noncommercial channels. To establish higher prices than that would mean encouragement of waste and inefficient production at a time when we cannot afford it.

Sample budgets worked out on two-mule farms for some areas of the South indicate that with 5 cents per pound for "surplus cotton" lint and with present prices of $50 per ton for the cottonseed, production of "surplus cotton" might compete effectively with alternatives such as dairy products at 30 to 35 cents a pound for butterfat. In areas where peanuts and soybeans can be grown these would be more profitable than other alternatives to cotton. The source of the competitive advantage of "surplus cotton" at the present time is largely the high price of cottonseed. At 1939-40 prices of about $25 per ton, other alternatives would compete more easily with 5-cent cotton lint. However, if a purely byproduct market is available for cotton lint at 4 to 5 cents per pound perhaps we can afford to take a part of our increased needs for oil from cottonseed. 17/ Before we make that decision, however, we should consider the need for soil conservation in many areas of the South and whether, from the standpoint of that need, greater encouragement should not be given to hay, small grain, and pasture crops.

15/ The problem of bringing in new producers would be simplified because the "base production allotment" would be determined by the long-time farm plan. For the deficit products, new producers should of course be encouraged providing the enterprise fits into their farming system.

16/ Incidentally, it might help to furnish a basis for more equitable assessment.

17/ Assuming cotton yields in the Mississippi Delta of 350 pounds lint and 744 pounds of seed per acre, and soybean yields of 15 bushels, or 900 pounds per acre, the cottonseed would yield about 115 pounds of oil as compared with 135 pounds of soybean oil.

Payment for "war production" in the deficit products should be adjusted to the steepness of the curve of additional costs that need to be incurred to produce the increased output, with perhaps some additional remuneration to get the job done. It should be understood that this curve will have a higher level in a period of relatively high prices and satisfactory incomes such as the present, than the marginal variable expenses curve that determines the volume of output on most farms in depression periods. Under depression conditions many farmers may increase production if the income for the additional product yields any net return above the directly attributable cash outlay. 18/

The marginal cost curve that farmers consider in deciding on increased production in more satisfactory income periods may need to cover a charge for better maintenance of buildings and machinery, and perhaps the purchase of new equipment, such as a milking machine. The farm family may demand a higher return in order to work harder for the increased output, unless this is stressed as a patriotic duty. Depletion of soil resources is likely to be watched if the farmer is sufficiently aware of the damage being done.

A preliminary check on some farm budgets for Wisconsin dairy farms indicates that, assuming October 1941 prices and costs for both quantities of output, there would be little income advantage to farmers in increasing production above the 1941 levels in order to meet the 1942 production goals. 19/ However, if the price of the additional output were increased 25 percent farmers would find it worth while to meet the goals.

The 1942 production goals for Wisconsin suggest an increase in milk production of 13 percent over 1941. If the price of the additional output were set even as high as 50 percent above the October 1941 price, it would mean only an increase of 5.6 percent in the composite price for all the milk sold. Thus the inflationary effect would be slight as compared with an increase of, say, 25 percent in the price of the entire output. Nevertheless, the costs directly attributable to the increased output would be adequately met, including an additional return to the operator.

The exact rate of payment that should be made for the increased product will of course depend partly on the percentage of increase desired in relation to the present intensity of production on the bulk of the farms in a position to increase output. If there is considerable unused capacity in the form of land, labor, and equipment, the additional costs will be very low per unit of increase. On the other hand, if, on a dairy farm for example, the family labor is fully employed, and if little more home-grown feed can be produced, and there is no barn room available for an extra cow, the additional costs obviously will be much higher. The operator may also encounter physical diminishing returns from heavier feeding, and the risk of increased production is somewhat greater.

18/ Johnson, Sherman E. "Farm Management Problems in an Era of Change," 1940 Yearbook of Agriculture, pp. 492-495.

19/ If costs rise faster than prices in the coming year it may actually pay better to produce an even smaller volume of dairy products than in 1941.

Thus a much higher return will be needed for the increased output as we approach the limits of more intensive use of land, labor, and equipment resources. 20/

A part of the remuneration for increases in livestock production should come from the encouragement of soil-conservation practices, especially on the thin rolling lands. Payments for growing more legumes and for pasture improvement will increase efficiency of livestock production and at the same time encourage the kind of farming that will maintain the productivity of the soil in those areas.

Rates of payment for soil conservation and for soil improvement in the poorer land areas should be determined partly on the basis of offsetting the higher immediate returns from soil-depleting crops and practices. In other words, they should provide definite encouragement for shifting in the direction of hay and pasture on the poorer lands. The margin of profitable shifting will be reached more quickly in the poorer areas because the yields of soil-depleting crops are relatively lower. 21/

Special mention should be made of the range areas of the West where there is very little elasticity in the intensity of production, and therefore little opportunity to increase output. There are no alternative uses for the land, and to avoid periodic disaster livestock numbers need to be limited to the normal carrying capacity of the range and the winter forage supply. A program for that region should involve payments for holding livestock numbers on private lands in line with the feed supply, and regulation to prevent overgrazing on the public lands.

Programs for Low-Income Farmers

In this discussion very little has been said directly about low-income farmers and about submarginal land areas. In the areas where farm incomes are low because of too high a ratio of population to land resources the most important program that can be developed is to train young people for both farm and nonfarm employment, and to assist them to find work elsewhere at a time when such opportunities exist. This will require considerable improvement in both our training and placement programs. 22/

20/ If much new investment for machinery, buildings, or land improvement is required to increase production, emergency credit should be granted, with provision for amortization from income in the war period. Farmers supplying fresh milk for army camps need credit of this type.

21/ We may reach a stage in our war effort where we cannot afford to expend much of our present income even for soil maintenance. However, we should avoid unwarranted soil depletion and make the expenditure necessary to avoid irreparable soil damage that will seriously reduce our production efficiency in the post-war period.

22/ Training and placement for farm work in commercial farming areas could help materially in relieving the labor shortage. However, commercial farmers will have to compete with war industries for this labor, and they must realize that farm wages will go much higher as the labor shortage intensifies.

A training and placement program becomes especially important in areas where the land resources are hopelessly inadequate for the support of farm families. In such areas it should be supplemented with a public land purchase program that, in humid areas, would provide life tenure for the present operators.

The need for individual farm planning has already been stressed as a part of the adjustment program. Competent assistance in planning their farms to obtain maximum advantage from present income opportunities can easily become the most important public contribution that can be made to low-income farmers as a group. 23/

Payments for conservation practices and soil improvement can be adjusted to fit the special needs of the smaller farms. Often assistance will be needed to obtain adequate machinery and livestock to take full advantage of present production opportunities. Loans for such purposes should be amortized over the emergency period. Frequently more land will be needed before an adequate income can be obtained. In areas where some farmers are moving out to take advantage of defense employment it sometimes will be possible to enlarge the operating unit. Where land resources are insufficient even a doubling of farm prices will not give adequate incomes. 24/

Assistance in providing home-grown foods, in carying for health and school needs, and in training the young people for new ways of farming, or for other occupations are likely to continue to provide outstanding opportunities for assistance to the majority of low-income farmers.

Summing Up

There is little in the foregoing discussion that is really new. Some proposals involve different combinations of devices that have been used during the last 8 years, or even over a longer period. However, in the present emergency one of the most important jobs is that of combining the use of these devices in a way that will facilitate the adjustments in agricultural production that are needed in view of the rapidly changing world conditions -- needed for the protection of farmers and for the nation's welfare. The particular use suggested of the "classified price plan," when combined with payments for soil conservation practices and with other devices, seems to offer an improved method of facilitating production shifts in nationally desirable directions; while at the same time providing adequate incomes to farmers.

23/ Johnson, Sherman E. "For Farm Consultants," Land Policy Review, August 1941.

24/ On two-mule Lower Piedmont cotton farms the net cash income expectancy with average yields has increased from about $250 in 1940 to $450 in 1941. This is still not a princely income, but there is of course the added question of the present operator's ability to handle a larger farm in a way that would increase the income to the family. Competent management assistance may be needed.

In the post-war period, as well as in the present war emergency, the agricultural industry must make its proportional contribution to national welfare. Agricultural policy and programs therefore must be developed to meet the final consumption needs of our population for farm products. As previously mentioned, this may require a "food for health" program to take the place of our present "food for freedom" program. By providing adequately for the food and fiber needs of all the people, the farm group will earn an opportunity to enjoy real incomes proportionate to the remuneration of other groups in the population; also the right to some protection against undue risk in performing that function.

Determining in advance of the production period the amount of a given product that is likely to be needed (as in the 1942 production goals program) and then setting a minimum price for the "base production" of that product on individual farms will go far toward providing adequate incomes and insuring farmers against undue risk. Payments for quantities in excess of "base production" then become the guides, or the incentives, for shifting from the products of which we have a surplus to those which should be increased in the national interest. Payments for conservation practices can reinforce the other incentives for shifting. It is recognized that the present commodity loans, surplus purchasing and disposal programs will need to be used as part of the machinery for carrying out such a program. 25/

In conclusion, it appears that the combination of devices that has been suggested for the war emergency may also be useful in the emergency of transition from war to peace, and even in the post-war period. One thing seems certain, the scene will change quickly, drastically, and unpredictably. Therefore farmers will need the assistance of government programs to tide over the transition. If we can manage somehow to widen the channels of world trade, to maintain a fairly high level of nonfarm employment, and to gear agricultural programs to the consumption needs of the population, we can probably make the transition without a return to the "general shrinkage" philosophy of the Thirties. If we succeed in that we can finally get on an "improvement level" that will require a general expansion of production in our economy, including the output of agricultural products. 26/

25/ It is recognized that these devices may not be needed for all products.
26/ See "Analysis of Interregional Competition in Agriculture," BAE mimeograph, April 1939, Part IV, pp. 66-74.