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Agricultural Letter

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THREE REPORTS bearing on farm policy have been released by the Administration in recent weeks. Committees of the Congress are engaged in studies of these reports and in developing additional information to help guide them as they tackle the myriad tentacles of this perennial problem.

THE BUDGET proposal, submitted to Congress January 13, estimated Federal outlays on behalf of agriculture and agricultural resources in the current fiscal year ending June 30, 1958, at $4.9 billion. This is somewhat more than the $4.6 billion spent in fiscal 1957. Agricultural expenditures in the current year account for about one-fourth of total Federal expenditures for all purposes other than national security and interest on the public debt. This compares with a little over 20 per cent in 1953 and 1954.

Looking ahead, to the year ending in mid-1959, agricultural outlays are estimated to decline somewhat, to about the 1957 figure of $4.6 billion. And changes in farm programs are recommended which, in 1960 and beyond, are estimated to result in "significant reductions" in budget expenditures on behalf of agriculture.

Biggest item in the agricultural budget, of course, is the outlay on programs to support prices of farm commodities. This category of expenditure has been running around $3.5 billion annually for the past three fiscal years. Indicated outlay for fiscal 1958 is $3.6 billion; for fiscal 1959, $3.3 billion.

The important role of Government programs in the current agricultural situation is indicated by a comparison of outlays to support farm prices with farm cash receipts from marketings. The latter figure has held close to $30 billion in recent years. Hence, Government outlays in support of farm prices and income have been equal to 11 to 12 per cent of farm sales of commodities.

Controversy has arisen relative to some of the figures which purport to measure the "cost to the Treasury" of farm price and income supports. It is suggested, for example, that the cost of disposing of surplus commodities should be assessed in part to domestic health, education and welfare programs and to foreign assistance. Such changes in budget accounting would have the effect of redistributing Federal expenditures but, in the absence of basic changes in the programs, would not affect total outlays.

THE PRESIDENT'S FARM MESSAGE to Congress on January 16 proposed a number of modifications "to deal with the effects of the technological revolution in agriculture." In general, the recommendations were oriented toward a speeding up of agricultural adjustment to be achieved in part by providing a greater range of discretion to the Secretary of Agriculture in setting acreage allotments and levels of price support. The Secretary would be advised in these important decisions by a bipartisan board. Of special interest to Midwest farmers is a proposal that acreage allotments for corn be eliminated.

THE ECONOMIC REPORT of the President released January 20 also devoted some space to agriculture. It notes that "American agriculture is basically strong," that "farm families have notably improved their levels of living" and that this improvement has "continued even when income from farming alone was declining." Further, it states that "many of the Federal programs undertaken on behalf of farm people have made important contributions to this long-term progress." The report concludes that farm programs are "in need of reconsideration" in three areas: the disposal of accumulated surpluses, the operation of agricultural price supports and direct measures of production adjustment.

Current stocks and output "continue to require emphasis" on disposal programs, but these "must not be allowed to stimulate the production of continuing surpluses" through a required escalation of price support levels as stocks are reduced. An additional $1.5 billion is requested to finance sales for foreign currencies and emergency food assistance to foreign countries, and it is proposed to continue domestic distribution to schools, institutions and needy persons.

The operations of price support and related programs have proved costly to the Treasury, due largely to the failure to achieve "appropriate adjustments of output by growers." The report states that "there is little support, among farmers or in the Congress, for controls that would be severe enough to implement current price objectives, except possibly for tobacco." It is suggested, therefore, as in the President's Farm message, that the Secretary of Agriculture be given discretionary authority to move in the direction of larger acreage allotments and more flexible (presumably lower) price supports in an effort to find a workable solution to the problem of adjusting agriculture's output to available markets with an acceptable level of farm income.

Many other changes in current programs are proposed, oriented primarily toward facilitating agricultural adjustment. The problems are numerous and difficult. Whether the Congress and the Administration can fashion an attack that will prove more effective than past efforts is the challenge of the moment.

Research Department