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Agricultural Letter

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THE PRESIDENT'S FARM MESSAGE to Congress included recommendations for extension and "improvement" of several of the present commodity programs but contained few details on the proposed changes. The message also recommended further emphasis on rural area development.

For feed grains and wheat, extension of voluntary programs similar to those presently in effect to reduce planted acreage were recommended. Some modification in the programs was recommended to "permit the operation of these programs to be simplified and to make it possible for additional crops—particularly soybeans—to be grown on acreage diverted from grains." During the past three years an average of about 30 million acres has been diverted from feed grain production. Soybeans, of course, could not be economically produced on all of this acreage, but a substantial expansion could be made.

If new legislation for feed grains is not enacted this year, there will be no restrictions on feed grain production in 1966. Government price supports would be provided for feed grains but these could be as low as 50 per cent of parity (about $.80 per bushel on corn compared with the loan rate of $1.05 plus the compensatory payment of $.20 this year). The payments farmers receive for acreage diverted from feed grain production under the present program would also be discontinued without new legislation.

In the absence of any new wheat legislation, a referendum on a program—similar to that proposed for the 1964 crop in early 1963—would be held later this year. That program called for a mandatory reduction in wheat acreage and a limit on the number of bushels of wheat that could be sold at the Government supported price. At least two-thirds of those voting in a referendum would need to approve the program to put it into effect for the 1966 crop. In the 1963 referendum, the program was turned down.

The message also recommended the extension of the cotton program and requested authorization for production and marketing limits for tobacco on an acreage-poundage basis because of the yield increases, rising Government costs and deterioration in quality that have resulted with the present program.

For rice, the message recommended amending the price support program to bring market prices in line with the world levels. More than half of the annual production of rice is sold abroad (at heavily subsidized rates). Incomes of rice producers, however, would continue to be supported by proceeds from marketing certificates, apparently similar to those now used in the marketing of wheat.

The message also recommended that acreage allotments and bases under the various programs such as wheat, feed grains, etc., be made transferrable by lease or sale to family farmers within the same state. This could have important implications for farm lenders as well as farmers. Many observers feel that the value of the present allotments and bases have been capitalized into the price of the land and that this has been an important factor in the steady upward trend of land prices. Therefore, in the event that this recommendation was adopted it would probably be reflected in lower land prices.

Other recommendations included: authority to shift direct Government loans to federally insured private loans for rural housing and farm ownership; consideration of proposals to set aside agricultural commodities in a reserve for national security, for emergency relief purposes and for domestic stabilization; and establishment of a long-range cropland adjustment program to supplement present acreage diversion and allotment programs in line with that suggested by the National Agricultural Advisory Commission.

The budget submitted to Congress last month for agriculture and its resources (excluding food for peace programs) estimated Federal outlays in the fiscal year ending June 30, 1966 at about $3.9 billion. This would be about one-half billion dollars below the expected total in fiscal 1965 and about $1.6 billion less that actual expenditures in 1964. Actual expenditures in recent years have tended to exceed budget estimates.

Of the $3.9 billion budgeted for agriculture for fiscal 1966, the largest share is, of course, for stabilization of farm incomes—about $2.7 billion or about 70 per cent of the total. It is in this category of expenditures that the largest reductions are anticipated—about $387 million less than in fiscal 1965. The projected reduction would result largely from a change in timing of feed grain acreage diversion payments, reduced price support loan levels for feed grains, cotton and rice and anticipated lower tobacco production.

Other expected reductions from prior budget expenditures would be effected through legislation in the Federal financing area that would largely replace direct Federal loans with insured private credit in financing rural housing and farm ownership. Also, the full cost of inspecting meat and poultry would be financed through a system of fees.

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