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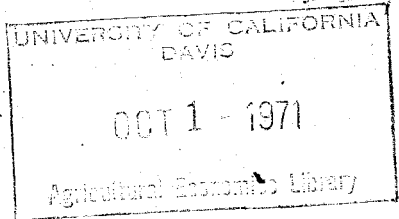
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University of California, Davis
Department of Agricultural Economics

Agricultural Act of 1970 - New Directions or Not?

by

Harold O. Carter and Gary L. Seavers*

The Agricultural Act of 1970 has been dubbed the "Consensus Farm Bill." Yet every major farm organization disavows it, each for different reasons. While the bill evolved as a bipartisan effort neither party now fully embraces it. Why the apparent reticence in claiming leadership, authorship, or even association with legislation that pumps \$3 to \$4 billion out of the Treasury and into the farm economy?

The Farm Bureau leadership castigates the 1970 Act for being a "warmed-up" version of expired legislation. The farm coalition, representing most other farm organizations, repudiates it for not being enough like the 1965 Act. From a political standpoint only a dwindling number of legislators can expect a net gain of votes for supporting farmer subsidies rather than opposing them. Some political scientists maintain that even farmers no longer vote in relation to farm issues but to the same social and general economic problems as their urban counterparts. Subscribers to this theory must have been in the high councils of both parties during the 1968 Presidential campaign. Neither party candidate presented a major address on agriculture.

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*Harold O. Carter is Professor of Agricultural Economics, University of California, Davis and was on the senior staff of the Council of Economic Advisers, 1969-70. Gary L. Seavers is Assistant Professor of Agricultural Economics, Oregon State University and currently is on the Council senior staff. The authors benefited from the comments of Varden Fuller and other anonymous reviewers. The views expressed in this paper are the authors' and should not be attributed to the Council of Economic Advisers.

When the new administration took office in early 1969, no farm bill was available to take to Congress to replace the expiring Food and Agricultural Act of 1965 which has recently been extended for one year. In the absence of a new bill or another extension of the 1965 Act, permanent legislation mostly of 1958 vintage came into effect. The likely outcome of a "do nothing" policy was a return to high loan levels and a recycling of stocks through CCC.

The new administration needed time to develop alternative proposals and to come up with a "game plan." Some may argue that the administration did, in fact, have a bill ready to go--the Farm Bureau sponsored bill. The Farm Bureau was the only major farm organization to actively support Nixon on his bid for the Presidency. However, the Farm Bureau proposal represented a major departure from previous legislation for it emphasized massive land retirement, a five-year phase-out of price support and diversion payments, and adjustment payments to leave farming. To push this bill would have meant an all-out fight for the administration early in the term with probably little chance of success and the strong likelihood of jeopardizing other higher priority legislation.

Pressures were mounting for payment limitations. In May 1969, the House voted (224 to 142) a \$20,000 payment limit as an amendment to the agriculture appropriation bill. The Senate deleted the amendment and the bill went to conference. In an unprecedented action, Congressman Conte (Rep. Mass.) attempted to bind the House Conferees to the payment limitations provision. A move to table Conte's motion by Congressman Whitten (Dem. Miss.) carried 181-177 and no payment limitation was adopted. Secretary Hardin had already indicated that a feasible payment limitation scheme could be developed on new legislation but the so-called "snap-back" provision in the cotton section

of the 1965 Act prevented effective use of a simple payment limitation amendment in the appropriation bill.^{1/}

The decision that evolved from meetings within the executive branch, with the Republican leadership and five "listening conferences" held around the country by Secretary Hardin was for the Secretary to work with Congress, initially the House Agriculture Committee, to develop new farm legislation seeking incremental reforms in existing programs rather than to push for radical departures toward massive long-term land retirement or a dismantling of previous programs.

The administration stated that it sought legislation that would sustain farm income and avoid further escalation of budget costs. Major emphasis was given to a market-oriented policy so that exports could expand without subsidies, producers would have fewer restraints on their decision-making and the government's profile in commodity markets would be lowered.

In the 1970 Economic Report of the President, the Council of Economic Advisers summarized the principal means of achieving "A Market-Oriented Agricultural Policy."

"...First, prices should become more flexible so that they approximate equilibrium between supply and demand when averaged over a period of years.... ...Price supports should not interfere with normal commercial transacting but should serve only as a price floor to prevent excessive fluctuations and to provide a basis for credit.

^{1/} The snap-back provision (section 10c(d)(12) of the Agricultural Act of 1949, so amended, which was incorporated into the Food and Agriculture Act of 1965) specifies that if as the result of any payment limitation cooperators fail to receive their full benefits as established under the law the department is obligated to provide support at not less than 65 percent of parity through loans or purchases. By raising cotton prices nearly 50 percent, reversion to this program would have renewed the problems that high support rates create for export competitiveness and CCC stocks.

Second, production should not be controlled by limiting individual crop acreages; rather it should be guided by market prices. Because the government cannot immediately redraw the influence on production that it has exercised during its four decades of direct intervention, a gradual approach is needed by which greater freedom will be gained through restrictions on total land use only.

...Third, direct income payments, properly applied offer a more efficient way to support farm income than high price supports.

Direct income payments will be necessary for some time to compensate for inequities and to smooth the adjustment process. Reasonable limits on payments to individuals, however, would help prevent the undue enrichment of large operators at public expense."

The Administration's Proposals

On September 24, 1969, Secretary Hardin testified to the House Agriculture Committee and broadly outlined two alternate programs for the major commodities (wheat, cotton, and feed grains). One was labeled the "set-aside" program and the other the domestic allotment and diversion program. The set-aside program offered price support loans and payments to participating producers who would be required in exchange to "set-aside" crop acreage equal to a specified percentage of their domestic cotton or wheat allotment or feed grain base. No acreage constraints would apply to any crop except the set-aside acreage which would be in addition to the normal conserving base. The program would be voluntary. Marketing quotas for cotton would be eliminated. Loan levels would be set to encourage exports without subsidies and to prevent excessive accumulation of CCC stocks.

The domestic allotment approach was a compromise between the set-aside and the 1965 Act but did not receive much support and was soon discarded.

In neither plan was the term parity mentioned. No stand was taken on payment limitations, much to the distress of advocates on both sides of the

issue. The Secretary only reiterated his statement that it is possible to design sound farm programs that provide for some payment limitations. Only token permanent land retirement programs were proposed. The administration's disillusionment with permanent land retirement schemes became apparent with Secretary Hardin's statement "....Too rapid a rate of long-term land retirement would depopulate the rural areas. An excessively large program would attract new land into production. Acres put to grazing could unbalance the cattle industry."

In early October 1969, the administration began drafting the new bipartisan bill. A series of over 30 "Monday night" meetings were held by the Secretary and his immediate staff with members of the House Agriculture Committee. Simultaneously, a farm program task force, chaired by Don Paarlberg USDA's Director of Agricultural Economics, was actively at work preparing and reacting to program proposals. The task force was principally USDA staff but at times included representatives of the Bureau of the Budget (now the Office of Management and Budget) and the Council of Economic Advisors.

Draft legislation of the set-aside program finally emerged in late January 1970. All major farm organizations immediately rejected it. And the White House was opposed to having it labeled the Nixon Farm Bill. It was referred to as the Consensus Bill.

"Parity" which was scrupulously avoided in the Secretary's initial testimony, reared its outmoded head again, for wheat and feed grains, at the insistence of many House Agriculture Committee members. However, the range on loan levels and payments was sufficiently broad as seemingly to allow the Secretary considerable discretionary power: zero to 90 percent of parity for loan levels

on wheat and corn. The same ranges held for cotton except they applied to "estimated world price" like the previous legislation. Loan levels and payments were uncoupled but upper limits for payments were specified: 35 percent of parity for wheat (domestic certificates); 25 percent of parity for corn; 80 percent of estimated world price of cotton.

Whereas the Secretary had indicated guidelines in earlier House testimony about required diversion or set-aside (ranging from 75 to 100 percent of the cotton or wheat allotment and 30 to 50 percent of the feed grain base), the set-aside draft left the levels as discretionary to the Secretary.

Financing of the commodity program was to be subjected to the appropriation process rather than the usual method of Congress underwriting losses of the Commodity Credit Corporation. This provision received little support from any quarter and was quickly dropped.

Payment limitations appeared in the draft proposal but only in a mild form. A sliding scale was proposed beginning at \$20,000 giving a maximum payment of \$110,000 per program or \$330,000 per farm for all three programs.

The hallmark of the initial set-aside proposal, had it been enacted, probably would have been the very broad discretionary powers of the Secretary. This possibility caused consternation among farm organizations and many farm congressmen and became a lasting issue in the debate and publicity given the proposal.

When the set-aside draft went to the House Committee in early 1970, the haggling between the administration and the Committee began in earnest. In late July the House Agriculture Committee voted out a bill that had been changed

materially. The Secretary's discretionary authority was severely diminished in several aspects. The required diversion or set-aside for cotton had an upper limit of 33-1/3 percent of the allotment. The national base allotment for 1971 was increased from 11.1 to 11.5 million acres.

Much of the House Committee's slow deliberation stemmed from indecision on payment limitations. Both Congressman Conte (Rep. Mass.) and Findley (Rep. Ill.) were picking up support for their stand for tighter payment limitations. Even opponents of payment limitations were conceding the political necessity of payment limitations in some form. Eventually, a compromise of a flat \$55,000 per person under each (wheat, feed grain, and cotton) program was agreed to by the leadership of both parties. Only then did the House Agriculture Committee vote out 27:6 the long debated farm bill. The House passed the bill August 5, 1971, by a wide margin 212 to 171, beating down attempts to amend the payment limitations and other provisions.

The Senate Agriculture Committee showed its distaste for the House "concensus" bill by approving a sharply conflicting one: for wheat it was basically a one-year extension of the 1965 Food and Agriculture Act, with a referendum in which producers would decide between further extension and the House-approved bill for 1972 and 1973; it introduced minimum loan rates for feed grains (\$1.00 for corn) and wheat (\$1.25), and parity in the payment formula for feed grains and cotton. For cotton it retained marketing quotas, enlarged the paying-base and lowered the maximum set-aside. The Senate agreed to the \$55,000 payment limitation which had already lost much of its force as an issue.

Budgetary over-runs, which had already been nudged by concessions by the administration in the House bill, was the major argument offered by the administration in opposition to the Senate version. The implicit understanding with the White House in the long negotiations was that the President was prepared to spend no more than the current level—about \$3.3 billion. Undoubtedly, the pending election brought forth more than the usual rhetoric in the conference debate. However, both parties wanted to avoid an impasse because without a bill the permanent legislation went into effect. In fact the wheat referendum, a provision of the permanent legislation was delayed twice by Congress anticipating that a new bill would pass.

Finally, an "acceptable" compromise did emerge, on October 7, 1970, mostly in favor of the House version. The Senate blocked a final vote on the bill until after the November election.

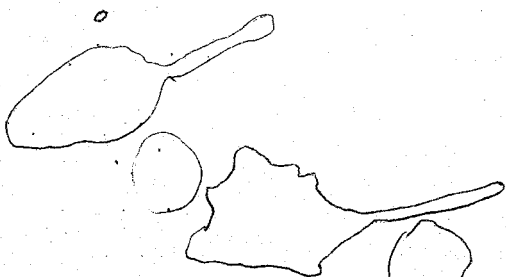
In a White House press conference (October 15, 1970), "Is it a good bill, sir?" was asked Secretary Hardin. His reply was:

"We think it is, generally, yes. There are features in it that we would prefer to be different, quite a few. But let me say it this way: It is acceptable, we think it is workable, we think that over the next three years that if it passes it will help to enhance the economic position of the farmers."

On December 1, 1970, over 14 months after the Secretary presented his initial outline of the Set-Aside Proposal to the House Agricultural Committee, President Nixon signed the 1970 Agricultural Act. At the signing no members of Congress were present to witness the culmination of their travail.

Evaluating the 1970 Act

With the broad discretionary powers in the administration's early proposals, the Secretary could have developed programs that would have constituted



a substantial departure from previous ones. Most of this flexibility to manage programs was badly eroded in the struggle to get a bill passed. Although the final bill contained certain new features, the administrative discretion to set key program provisions probably became more restrictive than under the 1965 Act (Table 1).

The 1970 Act continues to rely upon direct government payments to induce producers to voluntarily divert acreage from crop production. This is done on an annual basis, thereby providing some measure of year-to-year aggregate supply management but no permanent solution to the underlying problems.

In the 1960's programs based on relatively high loan rates tied to parity had been replaced with programs that permitted lower loan rates that were more consistent with export prices. The 1970 Act continues this trend toward more market orientation but on different fronts. In fact, minimum loan rates in the new Act are more rigid than had been true under the expiring Act. The new market orientation is primarily in the increased flexibility the Act provides individual producers.

The main ways in which the 1970 Act differs from the previous legislation can be considered in relation to the three broad, and often conflicting, objectives of these programs: market-orientation, budget costs and farm income.^{1/}

Market-Orientation

A major dimension of market-orientation, and a reason for using it as a policy objective, is to have domestic prices consistent with world prices.

^{1/} Consumer prices would normally be a consideration but it is doubtful whether the 1970 Act will have any measurable impact on consumer prices compared to the 1965 Act.

Table 1

Comparison of Key Provisions

Provision	1965 Act (1970 Program)	House Bill	1970 Act (1971 Program)
1. Minimum National Loan Rate			
a. Wheat (\$/bu.)	a. Discretionary minimum but consistent with world prices & loan rate for feed grains. (1970 = \$1.25)	a. Same as 1965 Act.	a. Minimum of \$1.25 per bu. (1971 = \$1.25)
b. Feed Grains (\$/bu. for corn)	b. Discretionary minimum but loan plus payment must be at least 65% of parity on projected production from 80% of feed grain base. (1970 = \$1.05)	b. Discretionary minimum.	b. Minimum of \$1.00 per bu. (1971 = \$1.05)
c. Cotton (¢/lb. net weight basis)	c. 90% of estimated average world price (1970 = 21.6¢)	c. Same as 1965 Act.	c. 90% of actual 2-year moving average of world prices (1971 = 19.5¢).
2. Maximum Acreage Diversion or Set-Aside Requirement*			
a. Wheat (percent of allotment based on domestic food consumption.)	a. Discretionary with no maximum. (1970 equivalent to 70% set-aside rate)	a. Same as 1965 Act.	1973 a. Maximum of 13.3 mil. ac. in 1971 & 15 mil. ac. in 1972 & 1973 equivalent to about 83% of domestic allotment but an established summer fallow farm with 55% or more of its cropland in summer fallow will not be required to set-aside additional acreage. (1970 = 75)
b. Feed Grains (percent of base acreage)	b. Maximum equal to 50% of feed grain base. (1970 = 20%)	b. Discretionary maximum.	b. Same as House Bill. (1971 = 20%).
c. Cotton (assuming 11.5 mil. ac. allotment)	c. 12.5% of national allotment. For the minimum national allotment of 10 mil. ac., this would be equivalent to 17.4% of the 11.5 mil. ac., base allotment in 1971. (1970 = 0)	c. Maximum of 33.3% of base allotment.	c. Maximum of 26% of base allotment. (1971 = 20%)

(Cont.)

Provision	1965 Act (1970 Program)	House Bill	1970 Act (1971 Program)
3. Payment Rate (the rate paid per bu. or lb. on the paying-base for each commodity)**			
a. Wheat (\$/bu.)	a. Difference between 100% of parity and the national loan rate. (1970 = \$1.57)	a. Difference between 100% of parity and the national average market price received by farmers during the first 5 months of the marketing year.	a. Same as House Bill, (1971 = \$2.93 minus average market price in first five months).
b. Feed Grains (\$/bu. for corn)	b. Payment plus loan = 65 to 90% of parity on 80% of feed grain base. Payment adjusted to 50% of feed grain base. (1970 = \$.30)	b. Payment plus the national average market price received by farmers during the first 5 months of the marketing year, equals at least \$1.35, but cannot be less than \$.32.	b. Same as House Bill, except \$.32 minimum reduced proportionately if set-aside rate is below 20%. (A provision to raise the \$1.35 if 70% of parity exceeds \$1.35 is not expected affect payments.) (1971 = at least \$.32)
c. Cotton (c/lb. net weight basis)	c. Payment plus loan = 65 to 90 percent of parity on national allotment minus required diversion. Payments adjusted to smaller domestic allotment. (1970 = \$.18 on projected production from a domestic allotment of 11.1 mil. ac.)	c. Payment plus national average market price in the first 5 months of the marketing year equals at least \$.35, but payment cannot be less than \$.15.	c. Same as House Bill except target price will equal maximum of \$.35 or 65% of parity. (1971 = at least \$.15)

*Voluntary additional diversion (extra-diversion) programs were discretionary for all three commodity programs under the 1965 Act, and are also permitted under the 1970 Act. Extra-diversion was available to wheat and feed grain producers in 1970 but was not offered in 1971.

**The paying-bases are essentially unchanged from the 1965 Act:

Wheat	-Maximum of 535 mil. bu. or estimated domestic food consumption.
Feed Grains	-Projected production from 50% of feed grain base acreage.
Cotton	-Projected production from base acreage allotment.

In 1971, the allotment is 11.5 mil. ac.; in 1972 and 1973 it can be adjusted but the payment rate is also adjusted so that the effective paying-base is constant.

Presumably this will lead to expanded exports without the need for huge export subsidies which run counter to a liberal trade policy. For grains, the 1970 Act offers no improvement over the 1965 Act on this score because the loan rates which essentially set a floor under market prices cannot be reduced further. But for cotton, the loan rate for 1971 is about 10 percent lower despite the new formula determination.^{1/}

Another dimension to market-orientation relates to flexibility of decision making at the farm level. The mandatory cotton program with its penalties for overplanting is replaced by open-end cotton planting so low-cost producing areas can expand production without any limits imposed by the programs themselves after set-aside and conserving base requirements are met. By adjusting the paying-base downward the cotton program can be managed to permit contraction of production in high-cost producing areas without any income losses and probably some modest gains to producers in these areas. The previous restrictions on the acreage program participants could plant to grains (wheat and feed grains separately when there was no substitution) are removed, though the Secretary has authority to reinstate them. Removing such acreage constraints will give individual producers much greater freedom to adjust operations to what they consider to be the optimum mix of crop enterprises and this increased flexibility should permit some improvement in resource allocation. Once a farmer has diverted land for required set-aside and conserving (base) uses, he can plant whatever mix of crops he wants except for the minor ones that are still rigidly controlled (rice, peanuts, sugarcane, extra long staple cotton, and tobacco). This will mean substituting more profitable crops like corn and wheat for

^{1/} It is still clear how rigidly the formula will have to be applied when unusual conditions in past years raise world cotton prices.

marginal ones like oats, flax, and even for forage crops and possibly some previously noncropped land.

Unwrapping the maximum grain acreage constraints is certainly a move toward allowing market forces to work but not all observers have agreed that this much responsibility should be put in the hands of the market. In part, this can be attributed to 35 years of individual commodity controls, and concern about year-to-year balances of individual crops. But it also expresses a legitimate question about whether the program as designed will be able to control aggregate crop production, and at what budget cost.

Budget Costs

A major problem with the 1965 Act was the escalation of program payments which increased from \$2.7 billion in 1966 to \$3.3 billion in 1969 and 1970. As originally proposed, the set-aside program would have had relatively little difficulty achieving the desired level of supply management without escalating budget costs. Early versions of the House Bill included the concept of deficiency payments used in the wool program. The idea of basing payments on the difference between fixed target prices (unrelated to parity) and actual market prices was largely scrapped in the final bill. This would have placed an upper lid on payments (except for any extra-diversion that would have been required) and in years like 1970 when market prices were high, budget savings of \$1 to \$2 billion could have been realized.^{1/} Cotton and feed grain interests prevented

1/ There was, however, an interesting agreement made in the negotiations that was intended to keep budget costs from deviating from recent levels. In a crucial meeting it was agreed that "the Administration was prepared to expend about the same amount of money during each of the three years 1971-73 on income payments as was expended in 1969-70, but without an escalation provision" (House Report, p. 12). Thus, any budget savings are unlikely although it is doubtful whether \$3.3 billion can be considered a ceiling if it fails to control production enough to prevent large CCC acquisitions.

potential savings by obtaining minimum payments near 1970 rates. They did agree to unhooking from parity although parity later crept into the Act, but in a way that should not escalate cotton and feed grain payments through the 1973 crops. Wheat producers, in contrast, fought for and got full parity on their paying-base but conceded on the option of a guaranteed minimum.

There are other changes that pose a potential threat to budget costs. In early proposals the required set-aside rates for cotton and wheat could have been adjusted upward to offset slippage from expanding production on acreage previously used for low-value crops and additional acreage coming into production. However, Congress added relatively low maximum required set-aside rates, especially for cotton. None was added for feed grains but an economic maximum exists because at a fixed payment rate feed grain program participation will fall as the required set-aside is enlarged. In addition, the conference committee added a provision which limits to 55 percent the amount of land established summer fallow farms must have in fallow. Many such farms will be nearly exempt from any contributions to supply management, though they will continue to receive full benefits. Finally, the normal conserving bases which already have been substantially reduced in many states are likely to be reduced further especially in states in which they have been conscientiously retained. The future erosion could result in several million acres being added to croppable acreage. In combination these factors may have put a gaping hole in the supply management powers of the program. If this turns out to be the case, and given the minimum loan rates for grains, the government could face much higher program costs than in recent years either via CCC acquisitions or more probably by being forced to buy more acreage diversion through the extra-diversion provisions of the programs. It is not hard to

imagine a total payment cost well in excess of \$3.3 billion. Barring this eventuality, however, the 1970 Act scores satisfactory on budget costs. Due to the corn blight no extra-diversion was necessary this year and payments will be \$2.8 billion or less which will help offset any excesses the next two years.

Farm Income

If payments are comparable to recent years, and with loan rates for grains maintained, it seems safe to conclude that incomes for most farmers who benefit from the program will be maintained and perhaps improved. In addition, there will be some savings to farmers from more efficient enterprise combinations. And, the \$55,000 payment limit will have negligible effects on aggregate farm income.

One of the weaknesses of previous legislation that the 1970 Act retains is the uneven distribution of payments among programs. The direct payments for cotton and wheat are substantially larger than would be needed to obtain the realized degrees of supply management (acreage diversion), meaning that the payments have a major element of income transfers. This transfer is firmly embedded because both programs have upper limits on the acreage that producers are required to set-aside to receive payments (Table 1). Since the feed grain payments are principally for supply management, there is a major inequity among programs and geographic regions. There are several ways to measure the inequity. Estimates of income transfer provided by Secretary Hardin in testimony before the Senate Appropriations Committee (June 4, 1969) indicate that in 1968 cotton payments were two-thirds transfer, wheat payments one-half, but feed grains only about one-tenth (Table 2). Another indicator is the size of

TABLE 2
Measures of Equity Among Producers

Crop	Payments		Percent income supplement ^{b/} (1968 crop)
	\$/ac. set-aside ^{a/} (1971 crop)	% of crop value ^{a/} (1970 crop)	
Wheat	61	47	49
Feed grains	60	22	11
Corn	66	22	
Sorghum	42	30	
Cotton	404 ^{c/}	84	65

^{a/} Based on most recent published sources of the U.S. Department of Agriculture.

^{b/} Testimony by the Secretary of Agriculture before the Senate Appropriations Committee, June 4, 1969.

^{c/} The cotton payments payments per acre would have been reduced to \$283 if the set-aside rate had been set at the 28 percent maximum instead of 20 percent.

payments per diverted acre. Based on the 1971 programs, cotton payments per diverted acre will be nearly seven times larger than feed grain and wheat payments. And if feed grain and wheat acres were adjusted for differences in productivity, the payment per acre would be substantially higher for the latter. A third measure is the relationship between payments and the value of the crop. In 1970 cotton payments were over four-fifths the value of cotton production, wheat about one-half and feed grains only about one-fifth. While these three measures are only indicators, and will vary from year-to-year, it seems evident that cotton producers, and to a lesser extent wheat producers, receive a bonanza compared with feed grain producers.

The \$55,000 Payment Limitation

The high payments to individual producers is the feature of farm programs that has attracted the most public attention in recent years. Congress was determined to adopt some type of limit on individual payments. Despite the strong support for a maximum on payments, the \$55,000 per crop limit that was adopted was disappointing to those who sought a lower limit. Moreover, the Act contains liberal lease and sale provisions for cotton. This together with other ways of avoiding the limit will almost certainly make the \$55,000 ceiling ineffectual in reducing total payment levels. What was touted by some as a potential budget saving of \$72 million (based on 1970 program) will turn out to be a negligible amount. Experience with this relatively high limit should provide better knowledge on which to establish future payment limits. Congress has again revived its interest in this controversial issue. The House recently amended the Agricultural Appropriation Bill with a \$20,000 per crop limit. The Senate held firm at the \$55,000 level and the higher level will prevail, at least for another year.

Implications ^{FOR} ~~IN~~ the West

The importance of commodity programs especially for cotton and wheat are substantial for the western states (Table 3). In 1969, western growers received 16 percent of total U.S. cotton payments, 25 percent of the total wheat payments, and only 3.7 percent of the total feed grain payments. In two of the states (Montana and Colorado) farm program payments amount to 70 percent of realized net farm income from all other sources. Three states (Wyoming, New Mexico, and Arizona) show program payments exceeding 40 percent of their realized net farm income. California has the least direct dependence on government farm programs with payments (mainly cotton) accounting for 13 percent of the state's realized net farm income. In 1969 cotton payments in the West exceeded \$135 million, feed grain payments were \$61 million and wheat payments were \$217 million. Total farm program payments in the 11 western states exceed \$0.5 billion and amount to 27 percent of realized net farm income.

The elimination of marketing quotas and penalties in the 1970 Act may mean expanded cotton plantings in the West at the expense of some of the less efficient producing regions. However, as of July 1, cotton acreage planted in the Southeast and Delta region was estimated at 6.3 percent more than in 1970. Upland cotton acreage in the Southwest was only 2.7 percent more.

The 1970 Act was passed too late in the year to allow winter wheat producers to take advantage of the increased flexibility in the Act. Spring wheat producers did have the opportunity and based on July 1 estimates, 43 percent more acres were planted than in 1970. A special winter wheat planting intentions survey indicated that 1972 acreage will be 8.4 percent higher, indicating that there will be some expansion of wheat acreage. The Pacific

TABLE 3

Government Payments, By Major Commodity
Programs, Western States, 1969

	Payments (mil. \$)				All payments as % of realized net farm income ^{b/}
	Cotton program	Feed grain program	Wheat program	Total all farm program ^{a/}	
Montana		4.7	63.9	80.1	72.7
Idaho		2.4	31.0	46.1	26.0
Wyoming		0.9	3.5	14.3	56.3
Colorado		19.8	33.0	66.5	76.7
New Mexico	13.3	12.2	8.1	41.6	49.4
Arizona	39.8	3.3	1.1	47.8	42.5
Utah		1.2	4.7	11.8	31.0
Nevada	0.3		0.4	1.9	13.1
Washington		1.9	47.9	56.9	25.6
Oregon		2.0	17.0	24.3	18.1
California	81.5	13.1	6.3	123.2	13.4
Total Western States	134.9	61.6	216.8	514.6	27.1
Total U.S.	828.1	1,643.3	857.5	3,793.7	30.7
Payments to Western States as % of Total U.S. Payments	16.3	3.7	25.3	13.6	

^{a/} Includes cotton, feed grains, wheat, conservation, sugar, milk indemnity, soil bank, Great Plains conservation and cropland adjustment.

^{b/} Excludes payments from realized net income.

Source: Farm Income, State Estimates 1949-69, USDA, ERS, FIS 216, Supplement August, 1970.

Northwest is a prime area for greater wheat acreage at the expense of lower-valued crops. Producers in that area planned to plant 15 percent more wheat in 1972. When this is combined with the reduced set-aside requirements on summer fallow farms, it seems reasonable to expect producers to expand grain production substantially in the Pacific Northwest and other summer fallow regions of the West.

Given the rather limited export markets for Pacific Northwest wheats, expanded grain production in this area may provide a more stable base for livestock operations which have in the past been hindered by a lack of reliable grain supplies.

Conclusion

Those who have become dissatisfied with past farm programs will find little consolation in the new Act. The principle of payment limitations is established but will have negligible budgetary saving. The Act introduces considerable additional flexibility for individual and regional cropping patterns. The costs are high in terms of foregone public programs that many would give a higher priority. It holds out no hope for a long-term disengagement from farm programs, though its guaranteed life is only three years. Despite the payment limit, the very uneven distribution of benefits will continue. The fact that it exists is perhaps a tribute to vested interests and the influential positions of their spokesmen. Indeed, established public programs have a durability that often defies rational explanation.

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