THE FOOD AND FIBER COMMISSION REPORT: IMPLICATIONS FOR THE SOUTH

Luther G. Tweeten*

The report of the National Advisory Commission on Food and Fiber [2] displays some shortcomings [3], but in the main is a well conceived and extremely useful contribution to farm policy. My paper will focus principally on the implications of the Food and Fiber Commission recommendations for the South. A secondary objective will be to critique some of the recommendations, and to suggest some possible improvements in the Commission report.

I have divided the recommendations into three categories for this paper: (a) commercial agriculture, (b) world trade, aid and development, and (c) rural poverty and area development. The implications of the latter two categories are presented in a most sketchy manner. I have attempted to be more comprehensive in explaining the implications of policies for commercial agriculture.

The Commission stated a worthy goal for agricultural policy that can be widely applauded:

The overall goal of agricultural policy, as of all national policy, is to make the greatest possible contribution to national welfare. We seek a long-range policy for agriculture which will assure the Nation an abundant supply of food and fiber to meet domestic and foreign demand. We seek to achieve this production with the most efficient use of resources – in the belief that this is the best way to provide the highest standard of living for all of our citizens [2, p. 7].

The Commission [2] and its spokesmen [cf. 1] again highlighted some inconsistencies in our farm policy: The nation pays farmers to hold land out of production while it also subsidizes irrigation and other practices to increase output; advocates freer trade, yet places restrictions on imports of beef, dairy products, textiles, shoes, etc.; pays huge subsidies to large farmers but does little to help low-income farmers; speaks loudly of the need for development of poor nations, yet does little to develop indigenous crop experiment stations and open U.S. markets to goods produced in these countries. The Commission recommendations were geared to rectify some of these inconsistencies.

COMMERCIAL AGRICULTURE

The Commission recommended that:

. . . *price supports be set modestly below a moving average of world market prices* [2, p. 18].

. . . *acreage allotments and marketing quotas be made negotiable or transferable* [2, p. 20].

. . . *a national security or strategic reserve [of farm commodities be established and] isolated from the market* [2, p. 22].

. . . *a program patterned after the present limited Great Plains Conservation Program and the Cropland Adjustment Program . . . be expanded to cover all marginal cropland areas of the country* [2, p. 28].

The majority of the Commission further recommended that:

. . . *direct commodity payments be made to farm producers to enable efficient commercial farmers to receive parity incomes* [2, p. 19];

and also recommended

. . . *a program for adjusting carryover stocks of major storable farm commodities in order to maintain reasonable stability of available supplies of those commodities* [2, p. 23].

These provisions have a common intent – that agriculture become more market oriented. The pro-

* Luther G. Tweeten is a professor, Department of Agricultural Economics, Oklahoma State University, Stillwater, Oklahoma. The comments of Leo Blakeley and Barry Carr were most helpful in preparing this paper.

visions would lead commodity prices and resource allocation in agriculture closer to that of a free market. While the Commission expressed a desire to let prices exercise more control over allocation of resources and products, it was not satisfied with the income allocation of the price system. "The majority of the Commission recommended that modified programs be retained until the problem of excess capacity in farming is alleviated, and farmers are able to earn incomes comparable to nonfarm incomes" [2, p. 17]. This implies that government programs of direct payment or other means to support farm income are not a short-term phenomenon.

One task of this paper is to ascertain the meaning for the South if the Food and Fiber Commission recommentations were to become the actual policy in the future. While the general intent of the Commission is clear, the exact form their recommendations might take is not clear. For example, would all allotments be made negotiable with no limits on transferring allotments among counties, states and regions? Would direct payments raise income of all (or some) farms to 50, 75 or 100 per cent of resource-earnings parity? Would the long-term land retirement program include 25, 50 or 75 million acres? and would it entail land purchase, rental or loan-easement arrangements?

Because these and other provisions of the Commission are obscure, it is necessary to make some assumptions. Initially, I assume that resources and products are allowed to adjust in volume and locations as dictated by free play of the price mechanism without commodity product controls or price supports. After analyzing considerable information from interregional programming studies and other sources [cf. 5], these conclusions follow:

(a) Cotton acreage in the U.S. and the South would decline below 1963 levels, but little if any below the 10 million acres planted in 1966 and 1967. Production would increase on irrigated land in the West and Southwest. Some areas of the Southwest and the Delta would continue to produce considerable quantities of the crop.

(b) Total crop acreage in the South would decline as lower crop prices and land retirement programs would encourage shifting of marginal cropland to grasses and trees. The expansion of acreage in improved grasses would lead to growth in cow-calf operations in the South.

(c) Feed grain and soybean acreage in the South would increase, and feeding of cattle would expand in the "peripheral" areas of the South, especially the Southwest.

(d) A free market would sharply reduce farm receipts in the South. Since the South as a region has especially benefitted economically from past government farm programs, a free market would reduce the share of the nation's farm income originating in the region. If direct payments were used to stabilize farm income, as recommended by the Food and Fiber Commission, and if these payments were made more equitable (with payments to large farms limited), then it is possible that the Southeast would increase its share of the total farm income. This could occur while its share of total farm receipts would fall.

(e) An extensive long-term, whole farm land retirement program concentrated on land of low productivity would concentrate disproportionately in the South. It would markedly reduce labor, land and operating inputs in farm production.

(f) The recommendations of the Commission on minimum wages and other policies for hired labor would raise the cost of farm labor in the South. This result, coupled with recommendations for price support at world price levels, would virtually eliminate tobacco production without a major breakthrough in the mechanization of tobacco production. Production would move to foreign countries where labor costs are lower. Removing of other barriers to trade, to be discussed later, and lowering of price supports to world price levels also would substantially reduce income.

(g) A market oriented farm economy that would successfully speed outmovement of farm people would have an important impact on the nonfarm economy. Institutions such as churches and enterprises such as food stores that depend on the number of people in the community would be hit hard. Land prices would fall considerably, but the property tax base per capita would not necessarily fall since the decline in population could more than offset the decline in property value. Schools and other social overhead would not necessarily be improved however, because there would be a tendency for the more productive and progressive people to leave the community and for those remaining to be unwilling to commit the full resources of the community to progress. The impact on firms supplying production inputs to farmers is difficult to judge. If aggressive, able managers acquired control of small farming units formerly operated by less able farmers, and if the land retirement program was small in scope, then sales of production-input firms likely could expand. On the other hand, a large land retirement program coupled with aggressive policies to convert cotton, sugar and tobacco acreage to less intensive grass, trees, feed grains and soybeans would reduce the sales of firms selling production inputs.

It is apparent that the market orientation could lead to release of many additional workers from farming. The exact result would depend heavily on how the direct payments would be used. The Committee majority recommended that:

. . . direct commodity payments be made to farm producers to enable efficient commercial farmers to receive parity incomes, when returns from the market do not provide such incomes [2, p. 19].

The Commission went on to recommend "that payments be made in such a manner as not to encourage additional production" [2, p. 20]. The implication is that the payment base would be set once and for all, so that payments would not encourage increased yields through greater application of fertilizer and other inputs. A major question is just how payments would be set. It would be virtually impossible to administer payments so that each "efficient" commercial farmer would receive a parity return and no more. It would also be necessary to continue the payment even if the operator quit farming to take a nonfarm job or to retire, and new operators could not be eligible for payments. These practices would be necessary to keep payments from tieing excess resources to agriculture.

AID, TRADE AND FOREIGN ECONOMIC DEVELOPMENT

The Commission recommended that:

. . . food aid should be made available for disasters, crises, and emergencies, and as a transitional measure to help developing countries as a part of definite, short-term plans for agricultural self-help. However, it should be fully coordinated with long-run aid programs to guard against diminishing incentives . . . [2, p. 35].

. . . U.S. and multinational aid programs for developing countries be oriented heavily toward technical assistance for increasing food production and population planning [2, p. 35].

. . . U.S. aid programs be focused more heavily on agricultural development. Research and education institutions should have top priority [2, p. 36].

. . . the U.S. assist in setting up major research stations in selected world regions [2, p. 36].

. . . the U.S. expand and promote its investment guarantee program [2, p. 38].

This and all other highly developed nations should provide easier access for the raw commodities and semifinished or finished products exported by developing nations . . . [2, p. 38].

. . . greater use be made of the multination approach in providing economic aid [2, p. 38].

. . . the United States, . . . gradually reduce and eliminate the use of export subsidies . . . [2, p. 25].

. . . in a new round of trade negotiations, this country be prepared to remove restrictive quotas and replace them with adequate tariffs . . . [2, p. 25].

. . . steps be taken to permit U.S. shipping firms to operate at rates competitive with those offered by foreign fleets [2, p. 26].

I have suggested before that we have not done a very good job in our foreign aid in finding the right combination for aid recipients of wheat, crop experiment stations, fertilizer plants and irrigation equipment. Therefore, I suggest that all aid be provided on a cash (or credit) basis. Responsible governments such as India would then be free to use the aid to purchase what they judge is best to meet their goals. If excess capacity characterizes U.S. agriculture, a discount would be offered on U.S. farm commodities.

The Commission recommendations, if carried out, would result in substantially freer trade. The South would initially be hit harder than other parts of the country by foreign competition. Reduction or elimination of tariff barriers would result in large welfare losses to tobacco, peanut and sugar producers, and to the cotton textile industry. Also greater stress on technological progress in the agriculture of developing nations and a more hard headed insistence on self-help among food recipients would further diminish opportunities for food aid, and result in increased competition in agricultural export markets as the technology in developing countries would come to fruition.

The result would be major industrial dislocation and displacement of workers in the textile, tobacco and sugar industries. This is not to argue against the changes recommended. The long-term gains from specialization and other aspects of comparative advantage, plus benefits from economic progress of developing nations would outweigh the more immediate welfare losses to the U.S. The increased demand stimulated by the economic progress of developing nations would greatly increase export sales in the industries in which the U.S. has a comparative advantage. But it should be remembered that the transition would be traumatic indeed and politically impossible without strong efforts to cushion the transition and at least partially compensate our loosers for their losses. The Commission suggested that farmers be financially compensated for loss of past benefits of allotments and the protection from foreign markets which have been capitalized into land values. The practical problems are more than trivial of compensating primary, secondary and tertiary loosers of jobs and markets. One opportunity for partial compensation, Federal tax writeoffs to bring in new industry and jobs, was overlooked by the Commission.

As of 1963, the entire capitalized value of allotments was considered to be over $30 billion [4]. While the direct cost of compensating farmers for the loss of such allotments would be large, the social cost of continuing allotments may be even larger.

RURAL POVERTY AND REGIONAL DEVELOPMENT

The Commission properly recognized the existing farm underemployment problem and that extension of minimum wage legislation and collective bargaining to farm workers could increase unemployment. The Commission stated that "The most important – and neglected–aspect of policy for agricultural adjustment is the task of finding better opportunities for the farm people whose prospects in agriculture are limited by the onset of farm technology" [2, p. 28]. Accordingly, they recommended:

. . . *that underemployment, which is characteristic of some rural areas, be reported as systematically as conventional unemployment rates* [2, p. 29].

. . . *a major expansion and improvement of the Federal-State Employment Service* [2, p. 29].

. . . *stricter Federal supervision of the Federal-State Employment Service to eliminate racial bias and bias against rural people in general and to assure greater effectiveness of the service* [2, p. 29].

. . . *temporary Federal payments for farm or farm-worker family heads, to cover the minimal costs of relocation--provided adequate training is assured* . . . [2, p. 29].

. . . *extension of workmen's compensation coverage to persons employed in agriculture* . . . [2, p. 30].

. . . *agricultural workers be covered under minimum wage legislation* . . . [2, p. 30].

. . . *explicit national policy to improve educational opportunities for rural areas in those cases where education opportunities are substandard* [2, p. 31].

. . . *increased investment by the public in the infrastructure of old and new communities in rural areas* . . . [2, p. 33].

. . . *Congress discontinue the opportunity* . . . *which allows the use of tax-free bonds for municipal bond financing* [2, p. 33].

. . . *preferencial formulas, similar to those applied to centers of unemployment, applicable to bidders on Government contracts by firms located in areas of serious underemployment* [2, p. 33].

. . . *Federal lending assistance to rural housing commensurate with that of urban housing* [2, p. 33].

. . . *a minimal annual income opportunity of $600 per qualified person be provided for [the aged, disabled and survivors of agricultural workers]* . . . *and be made available to low-income workers as 'underemployment compensation'. This would depend on the worker accepting needed training or movement and should be terminated if the worker turns down a reasonable job opportunity* [2, p. 34].

And, finally:

The Commission recommends a public-service employment policy for rural areas such as that suggested by the National Commission on Technology. Automation and Economic Progress, to be integrated with the minimum income opportunity and with training and relocation programs [2, p.34ff].

The three fundamental components of a solution to the problem of rural underemployment and low income are jobs, education, and, for those who cannot become qualified for jobs, welfare. The likely impact of implementation of the Commission's welfare recommendations would be to retain many persons in rural areas who would otherwise have migrated to urban areas where welfare and job opportunities are better. There would be a considerable demand for the public employment. Current public employment programs deal with improvement of parks, playgrounds, and assistance in hospitals and other public facilities. One can well question what activities would be pursued by a massive increase in public service employment. Would these people be productively employed? It seems unlikely.

A more cost-effective solution is for the Federal government to grant significant tax writeoffs to private firms that locate in depressed areas. Paying a subsidy to existing private firms to train and hire the disadvantaged appears to be another efficient alternative to public service employment. The failure of the Commission to press strongly for policies that would create more private employment in rural areas opens the door to continued massive rural migration to urban slums, and is probably the most serious shortcoming in the entire report.

Another fundamental issue is the role of the Federal government in improving the infrastructure of small towns. My position is that a great many of these towns are not viable, and public grants to improve water, sewer and other facilities will not forestall the eventual decay of these towns. Low interest Federal loans to improve the social overhead constitutes less of a subsidy and should be continued. This leaves Federal grants to concentrate on viable communities of say 10,000 people and over, which stand the greatest chance of viability. To reduce waste by focusing on viable towns, it is desirable to provide major Federal tax concessions to firms that locate in viable cities in depressed areas, then let the local tax base generated by these firms help to pay for the necessary social overhead.

SUGGESTED ADDITIONAL TOPICS

Several topics currently of major interest were not treated in the Commission report. While it may be argued that the Commission was concerned with long-term policy rather than short-term issues, nevertheless, the Commission did take a stand on several of the latter. Examples are their position on beef imports and rates charged by U.S. shipping firms.

A more clear statement would have been useful from the Commission on these items:

(a) Farm groups are making strong, sometimes conflicting statements about the role of the business corporation engaged in farming activities. A statement from the Commission on the place of corporations in farming could have helped farmers and their organizations see the issues more clearly.

(b) The United States has entered several International Commodity Agreements. The most controversial is the International Grains Arrangement. There are indications that the Arrangement was not adequately thought through. A clear statement by the Commission on the subject might have avoided some of the current difficulties.

(c) The role of the U.S. Department of Agriculture, and its often conflicting function of serving taxpayers, consumers and farmers is now a subject of considerable interest. Should consumer services be moved to a separate department of consumer affairs? Should forestry be moved to the Department of Interior? A related issue is the degree to which it is desirable to separate the administration of farm programs from immediate political exigencies through an Agricultural Board patterned after the Federal Reserve Board.

Another related issue is the role of the U.S. Department of Agriculture in commodity stock operations. The effects of the market are difficult to avoid. Thus, government commodity programs do not raise net farm income over extended periods because of capitalization discussed earlier and because the long-run demand for farm products is elastic. If there are no long-term gains in net income, this leaves economic stability as the real benefit of these programs over an extended period. But would not this stability be achieved at lower public cost with commodity inventory management. Oklahoma farmers, and perhaps farmers in other states too, are deeply distrustful of government stock manipulations. The Commission, by placing its support more solidly behind a sound inventory policy, could have alleviated some of farmers' aversion to realistic stock inventory policies for economic stabilization based on carefully formulated and preset guidelines for purchases and sales.

SUMMARY AND CONCLUSIONS

The Commission explicitly emphasized the need for a more market oriented agriculture. Their call for extension of minimum wage laws, collective bargaining, guaranteed public employment and a guaranteed annual income is difficult to reconcile with the "market orientation" theme. Presumably, the market orientation is to raise the efficiency of commercial farmers. But in national and world prespective, it is very difficult to build much of a case for public policies to correct the alleged inefficiency of our commercial farmers.

The Commission report focused on fundamental policy issues. Their call for a market orientation will not go unheeded and continues the trend began in the early 1960's away from government supply control. Their call for freer trade continues efforts began in earnest in the 1930's for removal of foreign trade barriers through reciprical trade agreements. Their call for policies to alleviate rural poverty reaffirms intentions of public policies in the late 1930's, rekindled in the 1950's, continued in the 1960's with results below expectations, but which hopefully will have recognized success in the 1970's.

The impact on the South of full implementation of the Commission report is difficult to estimate with accuracy, partly because of vagueness in the report and an uncertain future, and partly because the Commission chose to emphasize general policies rather than specific programs.

It appears however, that the result would be to reduce the acreage of sugar, cotton and tobacco in the South, and to increase somewhat the production of soybeans, feed grains and cattle. The movement of cropland to grass and trees would be speeded. The move toward less labor intensive commodities would free additional labor from farming. Whether this labor would leave the farm and be productively employed in the South or elsewhere depends heavily on the type and combination of public programs of education, job creation and welfare.

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