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## POLICY REQUIREMENTS IN THE SEVENTIES:

## A FARMER'S VIEWPOINT

George C. Cartwright\*

A desire for betterment is basic to humanity. Such longings envision betterment not only for a current generation but more deeply seek for posterity a manner and quality of life that fully rationalizes man as a creature of God. It is in man's moments of silence, his periods of meditation, his time of dreaming that hopes and aspirations and ideals take shape and gain form and substance. And though they be folly to some, history adequately documents that the dreams of one generation become the goals of another and the realities of yet a third. Those of us in agriculture are no different from the rest; we have ideals and goals and hopes and dreams that can be realized or thwarted by federal agricultural policy. As society is not static, neither is agriculture; and if it is to be a full contributor in this dynamic age, renewal must come from debate and argument to produce the melding of ideas essential to progress.

"Engine Charlie" Wilson, as Secretary of Defense in the Eisenhower cabinet, gained wide publicity for stating, during an interview, "What's good for General Motors is good for the United States." He was the retired president and chairman of General Motors, and possibly his confidence in the motivations and judgments and policy of GM management made such a candid reply seem a full defense. It was not. Today farm programs cannot be justified because they are good for farmers only; they must be good for the nation. So at this time, with public attitudes being what they are, with urban problems rapidly escalating, with an overwhelmingly urban congress viewing introspectively problems in their districts, it would be much more realistic for agricultural policymakers to march to the beat of the drummer who believes, "What's good for the farmer must be good for the United States." And indeed, there are some major policy elements that can be simultaneously good for both.

## A BASIC DECISION

Some one must ask now and answer for the distant

future. Where will the basic food and fiber requirements of this nation be produced two or three generations hence? Shall we maintain a capability to fill these needs from within our borders, or is it better to be reliant on some foreign power for these basic necessities? The answer appears obvious, and most can readily agree that a posture of independence for such basics is in the national interest. But have we really faced up to the long range potentials of losing such a minimum capability? Can the disenchantment in farming continue, can the interest lag, can the know-how so dissipate that at some distant date our reliance for internal needs is off shore? Policies during the 70's can determine more than we are disposed to admit, those who remain in farming.

With current burdensome surpluses in some commodities and the national larder adequately filled in all the basics, anyone suggesting a loss of productive capability to below internal needs can well be ridiculed and called foolhardy. The simple fact is that our agricultural factory is producing beyond the needs of internal requirements, commercial exports, concessional sales and donations. Yet the inputs of manpower, land, capital and technology continues to produce far above the level of profitable disposition. Either markets must expand or some or all of the input parameters must be curtailed. Repeated failures in agricultural programs are as festering sores with the public and have aroused and inflamed a near irreversible animosity. In such a climate of impatience, there is a real danger of over-reacting and inducing a precipitous production decline, because of a too rapid loss of interest in farming and farm know how. For many years, trends indicate a decline in tillable land, rural population and farm income as compared with other segments of the economy, while at the same time showing a constantly expanding domestic requirement for farm production. At some point in time, our internal requirement could exceed our ability to produce, leaving our population at the mercy of foreign productive capability.

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So, it is in the national interest and the farmer's interest that a degree of profitability be maintained in agriculture that will insure, for both the short and longer term, production capability comfortably above this nation's requirements. To do otherwise would be extremely costly and completely foolhardy. Today's budget is not the only consideration of the national well-being.

### THE EXPORT MARKET

Historically, before 1965, our basic policy was to restrict supplies by acreage controls and support income by above market nonrecourse loans. With limited exceptions during the periods of such policy, markets declined in volume, surpluses mounted and prices remained under intensive downside pressure at or near loan levels. The consensus is that a more productive approach is found in below market level loans with direct payments on domestic usage to bridge between the lesser of production costs or the market price and a reasonable return to the producer for his labor, management and capital investment. Export production opportunity could then be claimed by that minority of producers who are unusually efficient and wish to compete worldwide with other non-subsidized producers for export markets. Foreign distortions of the nonsubsidized concept should be a government responsibility and met with appropriate response. Some difficult policy questions yet appear, but reason and experience point to solutions.

First, we should have no problem with those actions that are simultaneously in our own and the foreign interest. I think there is less need, in general, when commodities are inexpensive than when expensive, and that when they are produced efficiently the price is less expensive than when produced inefficiently. Even today, many facets of our domestic agricultural policy are hardly conducive to the development of an efficient agriculture. We specify where crops can be planted and on some, how much. We limit the amount of land that can be used and permit unlimited fertilizer substitution. We spend millions for reclamation and other millions for economic sterilization of naturally fertile lands. We really have a dichotomy of distortion. I think this nation could go a long way in producing more efficiently, that our produce could enter world markets in increased volume and at a lower cost, with the consequence that more of our fellow passengers inhabiting this planet on this trip through time and space could live somewhat better.

So far we have no problem: The more abundant supply that would emerge from an efficient agriculture is in our interest as well as that of a developing world. There is no substantive reason why such additional output should not be permitted. But there is a harder

question of exports for which no identity of interests exists, e.g., those that are now being handled as concessional or soft currency sales or donations. Unlike expanded commercial sales which should be stimulated to the benefit of all by an efficient agriculture, these exports represent a significant sacrifice on the part of the American people.

If we are to understand what we are doing, or what is being done in this field, we must approach the problem directly. The disposal of surplus stocks is treated on one hand as a no-cost operation, inasmuch as they were accumulated to forestall disaster in a prior crop season, and a magnanimous gesture of unprecedented international good will on the other. It cannot be both, and most of us know it is neither -- it is simply the dumping of some high priced leftovers of our commodity price support operations, and we farmers are the primary domestic beneficiary.

Would it not clear the air and make more sense if we had a market clearing operation for domestic production and a direct appropriation for foreign agricultural aid? Needy nations would apply directly through an appropriate agency for specific commodities to be purchased by the agency, or receive a credit for the country to buy directly in the U.S. market. In this manner, assistance would be determined by need rather than availability of particular supplies at the moment. Only under this, or some similar plan, will the taxpayer understand how great the cost of agriculture, foreign assistance and diplomacy, and weigh cost versus benefit in each.

### NEW DIRECTIONS

It is a proper function of agricultural policy to identify new opportunities and seek realistic solutions where farmers, because of their multiplicity of numbers or organizational structure, are unable to fend for themselves. Several ideas come to mind that have yet to be completely analyzed and appropriate solutions adopted as public policy.

#### Merchandising

Historically, the farmer has produced commodities and offered them unprocessed to the market. At this point, he felt his responsibility was fulfilled and his interest ceased. This is no longer a valid concept. Today adequate and acceptable end use items can be produced from any of several raw materials, natural or synthetic, and the farmer must push his produce to the point of its final consumption, or it will likely go unconsumed. Agricultural products must compete as industrial raw materials since the age of modern merchandising technique is upon us. Consumer surveys, market research, product development, improved merchandising methods, and promotion to final point

of usage are now real concerns of the farmer. He must be concerned with forming and shaping the market to have the privilege of filling it. Yet skills required to perform these functions are absent from his training or heritage, and are repugnant to his philosophy. Nevertheless, the jobs must be done or a well structured industrial complex will usurp many conventional agricultural markets. So it appears to me absolutely necessary that public policy concern itself with assisting farmers to structure for the vital functions in these necessary areas. The shying away and "hands off" attitude of farm organizations, commodity groups and the congress must be replaced by genuine concern. Selling today is an essential component of production, and imaginative programs to sell must be conceived, financed, developed and executed. Indeed, we might well be too late in understanding and entering these extended dimensions of agricultural selling.

### **Market Muscle**

We have talked of government policies to assure that agricultural commodities are consumed. Farmers also need assistance in the realistic pricing of the fruits of their labor. The system of auction bidding, as generally operated now, only insures a minimum return. Structurally, a much improved system can be conceived. Preferred bargaining agents, stronger marketing orders, and intensified cooperative selling all tend to beef up the selling power of farmers. "Muscle in the Market Place" is needed - - many of you can offer constructive suggestions as how to achieve it.

### **Farm Labor**

Economic activity in this nation is largely sustained by the purchasing power of its labor force whose gains have been greatly speeded by policy pronouncements at the federal level. Most benefits have accrued to industrial labor and agricultural workers could rightfully claim discrimination. With the widely held concepts of the family farm, agricultural income needs have been dealt with through the medium of support prices with "adequate safeguards to protect the rights of tenants and sharecroppers." These cumulative actions have greatly lessened the economic hardship that otherwise would have occurred in rural areas during the restructuring period of the technological revolution in American Agriculture, but some have been left behind with this approach.

Increasingly, agriculture has moved toward commercial production and there is no abatement of this trend. The hired farm labor force for 1969 is reported to be 1,153,000 by the Statistical Reporting Service of the USDA. This is a full 25 percent of the reported number of farm workers and though no figures are given, they appear to represent 40 percent or more of farm production. These are the people that the future

of agriculture is dependent upon and the legal disadvantages they labor under must be removed. Who is more important, a producer of food or a producer of an automobile? If required skills are equal, the producer of food is a more basic requirement and deserves equal consideration in the public policy. What we have really done, and applauded with ignorance, in fostering differential minimum wage, unemployment compensation and bargaining rights, is to insure that agriculture retains the dregs of the labor force. Unless there is some rectification, we run the risk of compounding into perpetuity an agriculture operated by labor of substandard capability. Legal differentials in minimum wages, unemployment compensation and fringe benefits should be eliminated. Further, agricultural leadership should propose an "Agricultural Labor Relations Act" attuned to the peculiar problems of agriculture, or industrial labor leadership will write an act for agriculture. We can no longer be as an ostrich and bury our heads in the sand to avoid reality.

### **Limitation of Payments**

Agricultural appropriation measures, during the past two years, have generated full debate concerning limiting farm program payments. Last summer when a one year extension of the Agricultural Act of 1965 was being considered, limitation was a major point of controversy. Most arguments for and against payment limitation were fully treated in these debates. Most students of agriculture now understand there are two types of payment (one for resource adjustment, the other for income supplement) and why each is necessary, how they differ, and the effect of a limitation on either.

One area, a crucial one, remains untouched. It has to do with limiting income supplement payments to a level where there is no income. No one of us can fully defend public funds to insure excess net income of the individual, partnership or corporation without graduation or limit. I, for one, would readily agree that this would be sound public policy, but what about those commodities which sell in the market at a price well below cost of production? Cotton is one. With payments to no one, production declines would trigger a price response of such magnitude foreign markets would vanish because of noncompetitive prices. The market would be safeguarded for the most efficient, and the principle of relative advantage would gain transcendancy.

Is it equitable to support unlimited payments to some producers which maintain them in production, and at the same time limit others to a level that does not permit a return equivalent to the cost of production? Frankly, insured income to some by payment rates that maintain them in production, coupled with

sure losses to others by limiting payments, is a most insidious method of land reform. It is unconceivable that this conservative administration and congress would propose or commend land reform if the proposal was presented directly. The complexities of payment limitation are enormous and I prefer to believe that it is a congress and administration in its partial comprehension of these complexities that suggest a flat dollar limit.

### **A New Cotton Program**

The new cotton program proposals, as presented by Secretary Hardin to the House Committee on Agriculture, are only imprecisely defined principles; yet not wholly bad. The basics as revealed are as follows:

1. A domestic allotment established in the same manner as under the current program, except that it will be based on only the amount of cotton actually needed for domestic use. Some transitional upward adjustment could be made during 1971 and 1972.

2. Nonrecourse loans to corporations at 90 percent of estimated world price. (Perhaps 18¼¢ middling inch in 1971.)

3. Great discretionary power vested with the Secretary on the amount of payment made on cotton produced within the domestic allotment. (Illustration used 12-17 cents per pound.) Amount paid would be normal yield for 1967-68-69 times domestic allotment and payment rate.

4. To be a cooperator, cotton farmers would be required to participate in a set aside (50 to 100 percent of domestic allotment) and comply with conserving base requirements.

5. Marketing quotas and penalties would be repealed and any farm would be permitted to grow an unlimited acreage of cotton to be sold at prevailing market prices.

6. Payment limitations of perhaps \$110,000 (gradual basis) to any one producer; with set aside requirement reduced, if affected by the limit.

Constructively, I wish to point out: (1) Farm income on cotton farms in efficient areas would likely be reduced more than 25 percent. This is too severe an income loss. (2) It is highly questionable whether such a program would produce enough cotton for both domestic and export needs. Some standby authority to insure that a sufficient amount of cotton to fill the total market should be provided. Payments might well have to be made on more than the domestic consumption. (3) No "set aside" should be

required when carryover supplies of a commodity are at a less than desirable level. The Secretary should be required to reduce the "set aside" as the carryover approaches a balanced supply. (4) No limitation of payment should be imposed until the unit payment rate when added to unit market price equals or exceeds the average unit cost of production.

Some of the points made in this paper are strong to have come from a farmer and will not be well received by my producer friends. They might reflect neither intellect nor knowledge but simply represent honest thoughts. They should be considered as ideas of an individual farmer and not as a consensus of farmers. I have conferred with no one about them and no one need defend them but me. Our problems do not become simpler. They shall never be suddenly solved. Indeed, as Robert Frost said, "We have miles to go before we sleep. Miles and miles to go before we sleep." But we must have a continuing dedication to work toward solution of the challenges of our present age.