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Analysis of a General Cropland Retirement Program

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CONTENTS

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SUMMARY

If a general land retirement program were adopted, minimum cost of retiring 50 million acres of cropland would be about $700 million a year, plus administrative costs. The cost of retiring 70 million acres would be $1.2 billion. Thus, a 40-percent increase in acreage retired would raise minimum program costs by 70 percent. Costs per acre would be even higher if more than 70 million acres were retired.

Estimated proportions of cropland that would be retired by regions range from 9 percent in the North Central region to 26 percent in the Great Plains if 50 million acres were retired. With 70 million acres retired, proportions by regions range from 17 percent in the Northwest to 26 percent in the Great Plains.

Productive potential would be very large even after retirement of 70 million acres. The remaining acreage, assuming no development of new cropland, would have the aggregate capacity to produce the following:

Feed grains	171.0 million tons
Soybeans	1,100 million bushels
Wheat	900 million bushels
Cotton	16.3 million bales

Although at 1967 prices the rate of development of new land probably would not increase, some 300 million acres of potential cropland are available for eventual development. The fact that such land is available poses a real threat to the success of a general cropland retirement program.

More than 70 million acres would have to be retired from total crop production to balance supplies with market demands at 1967 prices. Also, special provisions would be required to achieve a balanced reduction of wheat, feed grains, and cotton.

The study on which this report is based was not exhaustive, but it does indicate what a moderate-sized general cropland retirement program would cost and something of its limitations.

A small program of general cropland retirement, however, could be a valuable supplement to present adjustment programs for individual crops. In addition to facilitating desirable economic adjustments by some farm people, a small program could retire several million acres of cropland at relatively low cost.

ANALYSIS OF A GENERAL CROPLAND RETIREMENT PROGRAM

By

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INTRODUCTION

A general cropland retirement program has been suggested frequently as the most efficient method of reducing agricultural production to a level where market demand will take all of the production at prices fair to farmers. The advantages cited for the method include the following: (1) Farmers would be free to shift production among crops and among areas in response to economic and technological developments; (2) production would be more responsive to price changes and farmers would have no incentive to produce to protect allotments or bases; and (3) total production costs would be lower. Often overlooked are the effects such a program would have on production and prices of major commodities and on the incentives for bringing new land into production.

A general cropland retirement program is defined as one in which cropland would be retired from production in return for a payment from the Government. Production would not be restricted by allotments or quotas nor would price supports be offered on any commodities. Retirement of cropland could be for 1 year at a time, for a longer term, or for some combination of annual and longer term retirement. A longer term program would be less costly, but annual decisions would allow more flexibility to meet unforeseen situations.

This analysis is limited to an examination of the following aspects of a general land retirement program:

(1) Minimum cost for retiring 50 million and 70 million acres of cropland;
(2) Location of the acreage retired;
(3) Location of the acreage remaining in production;
(4) Quantity of major crops that would be produced;
(5) Effects on incentives to develop new land;
(6) Effects on land values; and
(7) Effects on farm people.

Estimates of costs, acreage retired, and remaining production are made with the simplifying assumption that new land would not be brought into production.

PROCEDURE FOR ESTIMATING RETIREMENT COSTS AND PRODUCTION ON REMAINING ACREAGE

It was assumed that least productive land and least profitable crops would be retired first. To minimize the impact of the program on any community, the maximum acreage to be retired in any county would be limited to 30 percent of the cropland. In estimating remaining production, it was assumed that all nonretired cropland which is not fallowed would be planted to crops.

The smallest areas for which data were readily available were the Farm Production Economics Division National Model multicounty subregions (fig. 1).1/ As these subregions represent relatively homogeneous production situations, it was assumed that if retirement were limited to 30 percent of the cropland in each subregion the limitation would also apply, in effect, to each county within the subregion. However, these subregions include only the major feed grain, wheat, and cotton-producing areas and exclude some of the cropland that might be retired under a general cropland retirement program.

To check the appropriateness of using National Model data, the National Model regions were compared with the distribution of land retired under the Conservation Reserve Program of 1957-60, which was also a general land retirement program. Figure 2 shows the distribution of land in the Conservation Reserve Program. With minor exceptions, the National Model regions shown in figure 1 encompass most of the areas of significant participation in the Conservation Reserve Program.

In addition to the areas covered by the National Model, participation in the Conservation Reserve Program was heavy in western New York and northeastern New Mexico. Approximately 1.4 million acres out of a U. S. total of 28.7 million acres were retired under the Conservation Reserve Program in these two areas. Therefore, they were added to the National Model subregions for this analysis.

For each of the 56 subregions analyzed, data were available on yields, variable cash costs, and the maximum acreage likely to be planted in the absence of allotment programs for each major crop grown. A reduction of 5 million acres in fallow below the acreage fallowed in 1967 was assumed as the net effect of changes from current programs to a general cropland retirement program. Fallow acreage in 1966 has been estimated at 37 million acres. With less diversion from wheat and feed grains in 1967, fallow acreage dropped to an estimated 32 million acres.2/ In the absence of programs aimed at reducing the acreage of specific crops, the acreage of summer fallow may be expected to decline further toward the 25.6 million acres fallowed in 1949, the last census year without large acreage allotments or diversion of major crops. Since 1949, increases in irrigated acreage have probably retarded some shift from continuous cropping to fallow cropping. In the Southern Plains States,3/

1/ Schaller, W. Neill. "A National Model of Agricultural Production Response." Agr. Econ. Res., 20:2. April 1968.

2/ Frey, H. Thomas, Orville E. Krause, and Clifford Dickason. Major Uses of Land and Water in the United States. Econ. Res. Serv. (Unpublished).

3/ Nebraska, Kansas, Colorado, Oklahoma, Texas, and New Mexico.

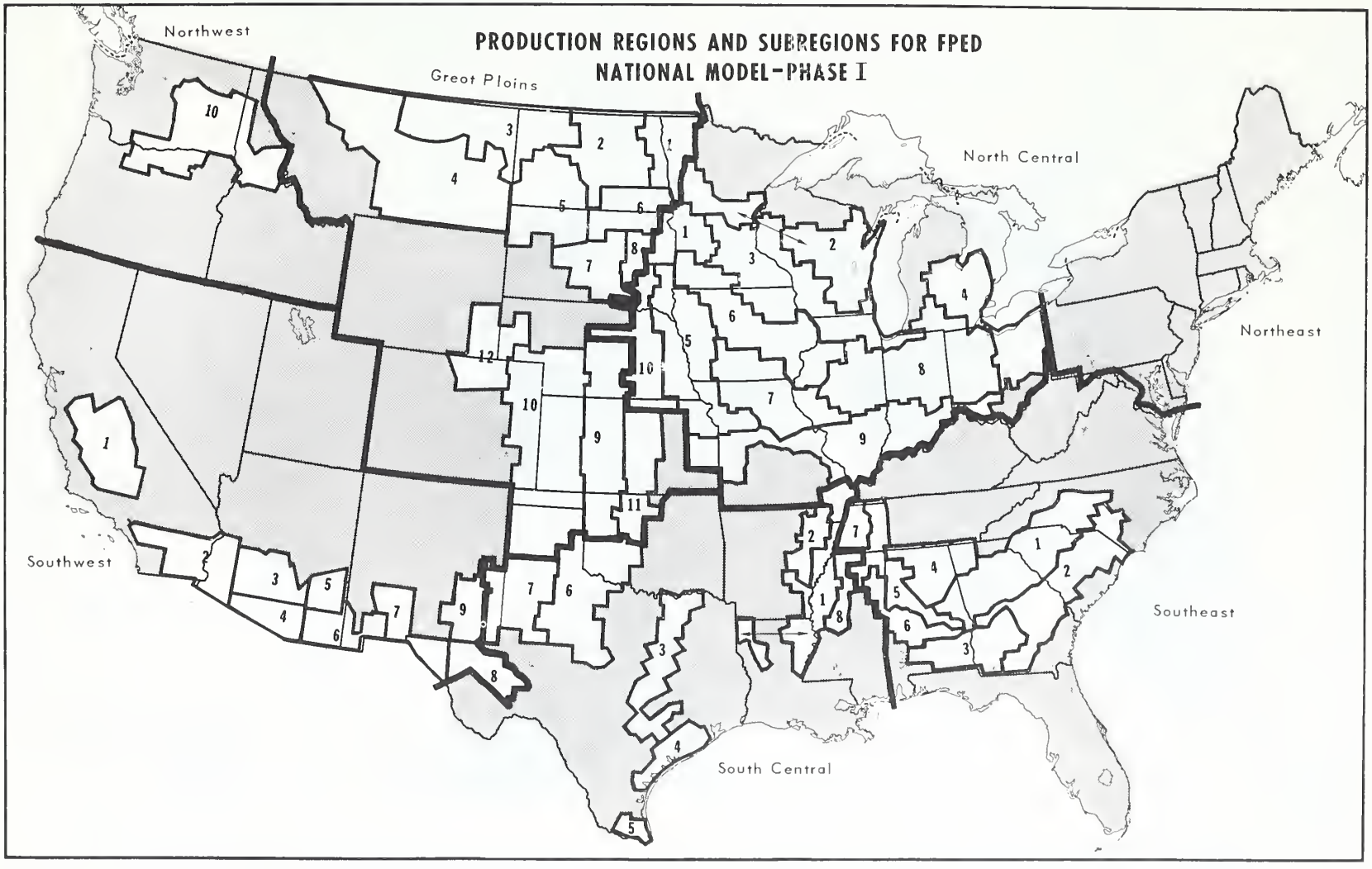
PRODUCTION REGIONS AND SUBREGIONS FOR FPED
NATIONAL MODEL-PHASE I
Northwest
Great Plains
North Central
Northeast
Southwest
Southeast
South Central

Figure 1

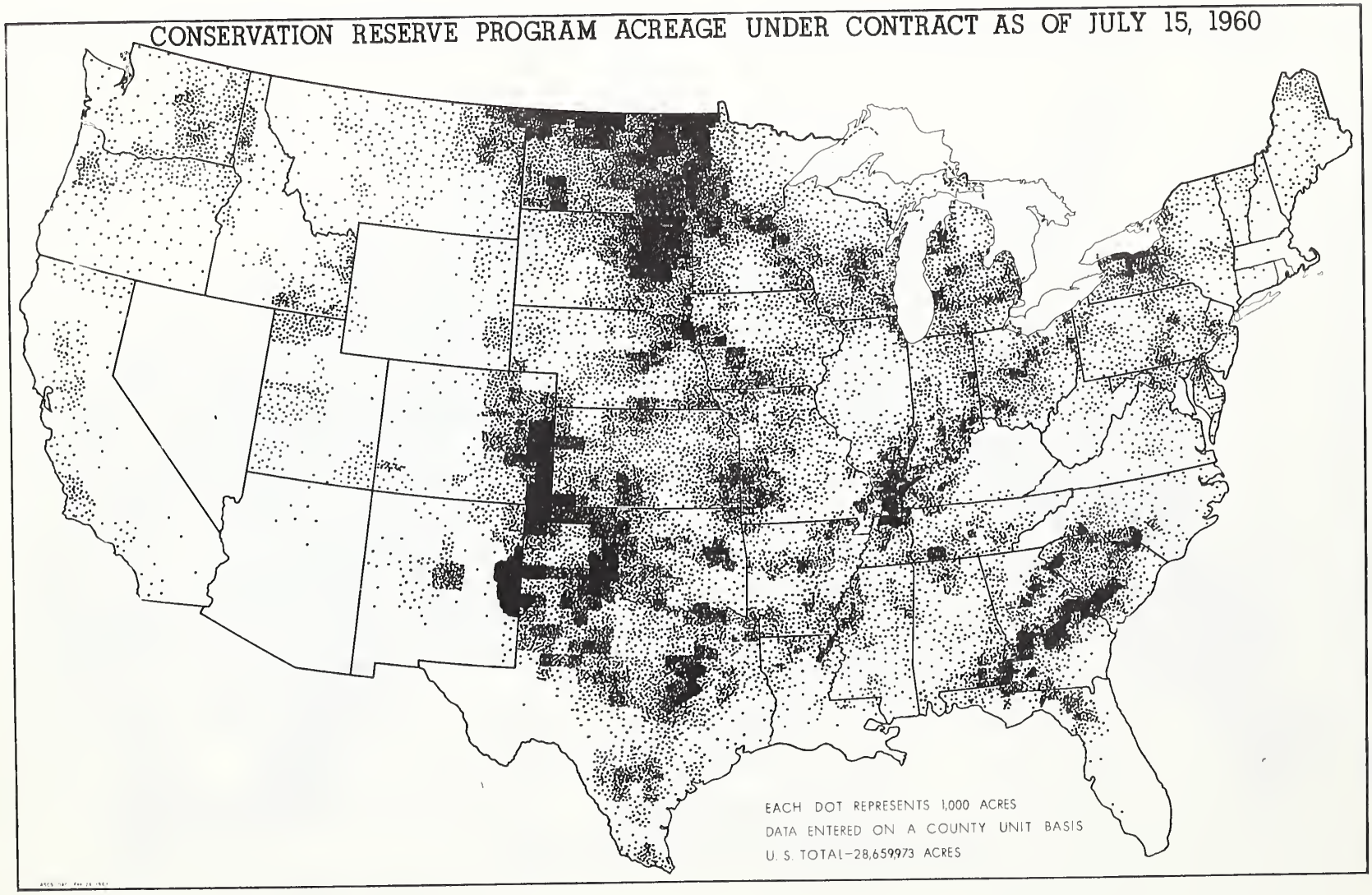
CONSERVATION RESERVE PROGRAM ACREAGE UNDER CONTRACT AS OF JULY 15, 1960
EACH DOT REPRESENTS 1,000 ACRES
DATA ENTERED ON A COUNTY UNIT BASIS
U. S. TOTAL-28,659,973 ACRES

Figure 2

about 7.7 million acres were irrigated in 1949 compared with 13.4 million acres in 1964. Therefore, a further reduction of 5 million acres in summer fallow appears to be a reasonable expectation.

Prices used for estimating gross returns were 1967 season average prices except for cotton. These prices were assumed to be the prices farmers would expect under the proposed cropland retirement program. Generally, they were above support levels and were assumed to be prices that would prevail if the program diverted sufficient production to avoid surpluses. Prices expected for cotton were assumed to be the 1966 season average. After short crops in 1966 and 1967, due largely to adverse weather, cotton prices in 1967 were higher than farmers likely would expect under more normal growing conditions.

Net returns above variable cash costs were computed for each of 589 crop enterprise budgets. The budgets had been prepared by analysts with specialized knowledge of production costs and yields in each of the 56 multicounty subregions. The crops, with associated acres, were arrayed by net returns above variable cash cost and the acreages were accumulated for each of the 56 subregions.

Thirty percent of the acreage in each subregion--the 30 percent with lowest net returns above variable cash cost--was arrayed by net returns with similar acreages from all other subregions, and the acreages were accumulated. From this array, 50 million and 70 million acres with related crop yield and income data were selected for the analyses presented in this report.

LOCATION OF DIVERTED ACRES

Since one of the objectives was to retire a given acreage at least cost, most of the retired acreage would be found in areas of low returns over variable cash costs. Generally, small grains grown in the Great Plains earned the lowest returns per acre.

The proportion of cropland to be retired to take 50 million acres out of production ranged from 26 percent in the Great Plains to 9 percent of the cropland in the North Central States. If the 30-percent limit for each county had not been applied, the proportion retired in the Great Plains would have been even higher (table 1).

With 70 million acres retired and with the same limitation by counties, the proportion retired is distributed more uniformly--ranging from 26 percent in the Great Plains to 17 percent in the Northwest.

COST OF RETIREMENT

Total program costs were estimated by two different methods. In one method, payments were assumed to be equal to returns above variable cash costs. In the other, payments were assumed to be equal to current cash rents paid for the use of cropland in the area. Cash rent represents return to land, but net returns above variable cash costs include, in addition, returns to other factors of production. The cash rent estimates used in this analysis are average cash rents for cropland. The net return estimates are returns from the low value crops to all residual claimants

Table 1.--Location of 50 million and 70 million acres retired by a general cropland retirement program

Region	Cropland acres	Cropland retired, 50 million level			Cropland retired, 70 million level		
		Acres	Proportion of cropland in region	Proportion of total acres retired	Acres	Proportion of cropland in region	Proportion of total acres retired
	Thou.	Thou.	Percent	Percent	Thou.	Percent	Percent
Western N.Y.	4,513	0	0	0	1,005	22.3	1.4
Southeast	19,290	3,751	19.4	7.5	4,464	23.1	6.4
South Central	36,426	6,257	17.2	12.5	7,165	19.7	10.2
North Central	142,604	12,995	9.1	26.0	30,226	21.2	43.2
Great Plains	100,352	25,745	25.7	51.5	25,745	25.7	36.8
Northwest	8,350	1,252	15.0	2.5	1,395	16.7	2.0
Total	311,535	50,000	16.0	100.0	70,000	22.5	100.0
Other	112,333	---	---	---	---	---	---
U.S. total	423,868	50,000	11.8	---	70,000	16.5	---

among factors of production, including land. Rental payments are appropriate if payments are made to nonoperating landowners, and probably would average lower than those used in this analysis. The net return estimates are more appropriate for estimating the returns to owner-operators, or owners and operators, when operators have no alternative uses for the idled resources.

For the United States as a whole, the difference between methods was not great. The cost of retiring 50 million acres would be about $700 million per year by either estimate (table 2). However, this relationship does not hold by regions. For example, in the Southeast payments at the cash rent rates would be nearly 70 percent larger than payments based on net returns. But in the Great Plains the reverse would be true; payments based on net returns would be about 45 percent higher than those based on local cash rent rates. The true cost of land retirement is likely to be between these two estimates.

In the Southeast, payments based on cash rental rates are high because they reflect rents for cropland having cotton, peanut, and tobacco allotments. However, because of the high returns per acre for these crops, little if any tobacco or peanut allotment land would be retired. On the other hand, payments based on net returns above variable cash costs are low because a considerable acreage of idle cropland is included in the retired acreage, and this idle land is assumed to have no net return. But it has production potential and some payment would be necessary to bring it into any land retirement program.

In the Great Plains, current cash rents undoubtedly include rent on fallow land; thus, the rental rates are lower than those actually paid for land in production. On the other hand, returns above variable cash costs are returns per acre planted, and do not reflect returns to fallow land.

For payments based on cash rental rates, the rates within each subregion (or county) were assumed to be the same whether the total acreage retired was 50 million or 70 million. In practice, however, if rental rates were proportionate to the productivity of the land, the average rate for a county or subregion would rise as more land was retired. On the regional and national bases, the increasing cost per acre reflects the increasing proportion of the land coming from the more productive subregions (table 3).

The payment rates needed to retire increasing acreages of land are shown in figures 3 and 4. Figure 3 shows the return above variable cash cost for retiring up to 70 million acres of land in the United States while limiting retirement in any subregion to 30 percent of the cropland. In figure 4, the 30-percent restriction is removed.

In practice, both of these supply curves would need to be modified. At the lower end fewer acres would be offered at the payment rates indicated; at the upper end more acres would be offered at the rates indicated. At the lower end of the supply schedule the payment rates probably would have to be raised to attract some low-producing land into the program despite the low return currently being obtained. Otherwise this land would be likely to remain in production and add to the surplus although it would add little to net farm income. At the upper end of the curve payment would not need to be as high as the return above variable cash costs on high

Table 2.--Cost of retiring 50 million and 70 million acres by two methods of estimating payments

Region	Current cash rent		Net return above variable cash costs	
	50 million acres retired	70 million acres retired	50 million acres retired	70 million acres retired
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Western N.Y.	0	14,070	0	28,183
Southeast	69,079	81,200	41,179	61,228
South Central	83,119	109,634	55,006	83,224
North Central	273,264	687,187	280,843	787,462
Great Plains	244,022	244,022	353,222	353,222
Northwest	25,040	27,900	27,624	31,342
Total	694,524	1,164,013	757,874	1,344,661

Table 3.--Cost per acre of retiring 50 million and 70 million acres with two methods of payment

Region	50 million acres retired		70 million acres retired	
	At cash rental rates	At return above variable cash costs	At cash rental rates	At return above variable cash costs
	Dollars	Dollars	Dollars	Dollars
Western N.Y.	1/---	1/---	14.00	28.04
Southeast	18.42	10.98	18.19	13.72
South Central	13.33	8.86	15.30	11.62
North Central	21.03	21.61	22.73	26.05
Great Plains	9.48	13.72	9.48	13.72
Northwest	20.00	22.06	20.00	22.47
Total	13.89	15.16	16.63	19.21

1/ None retired.

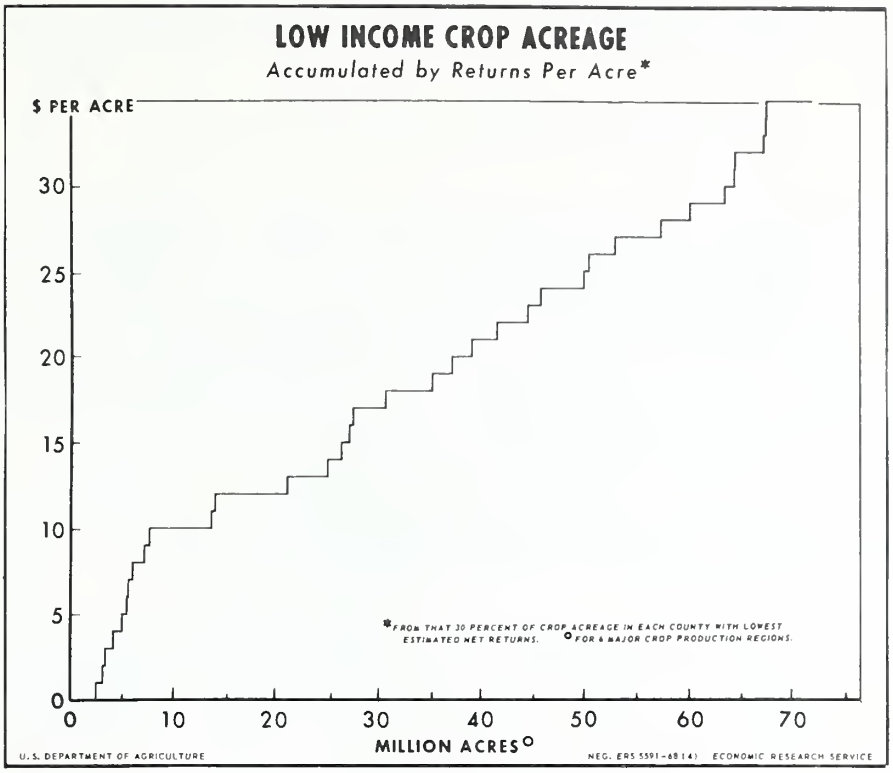

Figure 3

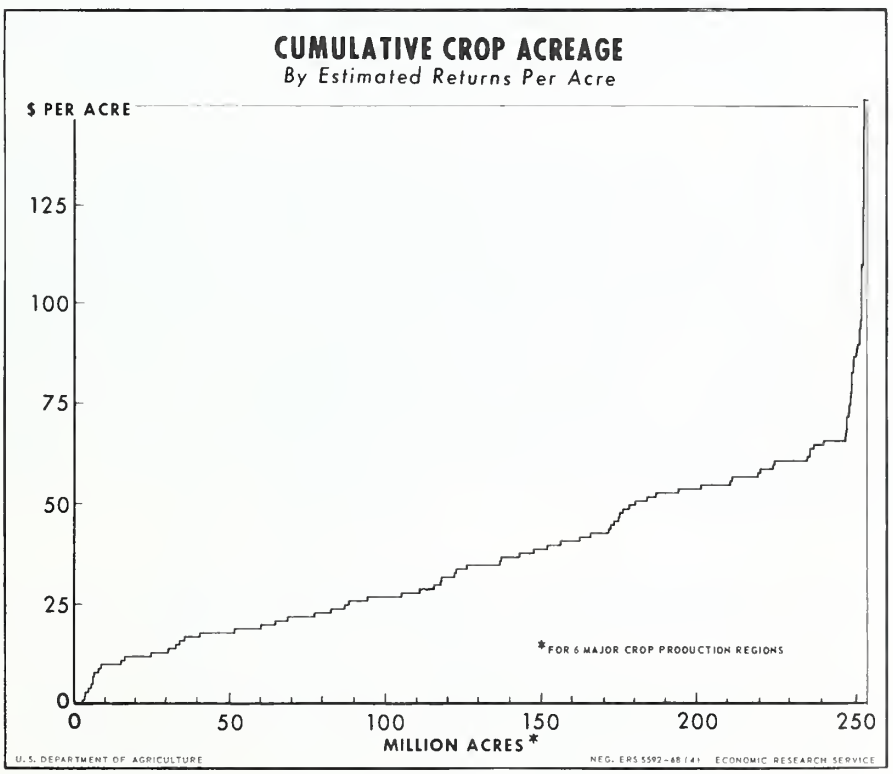

Figure 4

value crops. The rates are applicable to crops, but not necessarily to whole farms. Many whole farms would be offered at rates below those indicated by the curve.

REMAINING PRODUCTION POTENTIAL

Despite retirement of 50 to 70 million acres, potential production still would be very large, even with no new land brought into production. With freedom to choose among crops, very little corn acreage would be retired, and, even with no increase in yields, corn production would be more than 10 percent greater than in 1967, the largest crop of record (table 4). Grain sorghum production would about equal that of 1967, and oat and barley production would decline. Total feed grain production would remain near that of 1967, but it would be more highly concentrated in the Corn Belt. The distribution of this potential production is shown in table 5.

Soybean production also would be above that of 1967. As with corn, very little soybean acreage would be taken out of production, and concentration of production would increase in the North Central States (table 6).

Since much of the retired acreage would be in the Great Plains, wheat production would be reduced. With 50 million and 70 million total acres retired, wheat production is indicated to be 1.2 billion and 0.9 billion bushels, respectively, compared with 1.5 billion bushels produced in 1967. Domestic disappearance and commercial exports of wheat in 1967 was 1.035 billion bushels.

Cotton production would increase to an estimated 16.3 million bales, compared with 7.6 million bales produced in 1967. This potential production of cotton also is above the 1961-65 average of nearly 15 million bales when stocks were increasing. About 86 percent of the cotton land to be retired would be in the South Central region.

These are normative adjustments indicated under the assumed yields, costs, and prices. Adjustments of these magnitudes are not likely to occur in one year, and before these adjustments could be completed, farmers would be faced with a new set of conditions. Adjustments toward the indicated production pattern would depress prices of corn and cotton and strengthen prices of wheat. Consequently, more wheat and less corn and cotton would be produced than is indicated by these first adjustment estimates. Production of other small grains would probably be greater than here indicated. Soybean production might move in either direction from these estimates, depending on its competitive position relative to corn and cotton. Changes in production also would be affected by variations in yields. Changes in demand, particularly for exports, would have an uneven effect on prices and would further change the product mix.

Despite shifts in the combination of crops, the total production at the assumed prices resulting from keeping the most productive land in crops would exceed effective commercial demand. With 70 million acres retired, feed grain production would be about equal to that of 1967. In 1967, however, production exceeded expected disappearance by about 5 million tons, equivalent to production from about 3.4 million acres. Cotton production would exceed disappearance by the equivalent of production from 3 million acres, and soybean production would exceed disappearance by about 5 million acres. Thus, the 11 million extra acres of these crops, if shifted to wheat, would produce more wheat than needed for domestic use and commercial exports.

Table 4.--Production potential of major crops after retiring 50 million and 70 million acres of cropland, with comparisons of production in 1967, United States

Crop	Unit	Potential production in National Model regions		Percentage of U.S. production in National Model regions	Estimated U.S. total		Production in 1967
		50 million acres retired	70 million acres retired		50 million acres retired	70 million acres retired	
				Percent			
Feed grains	Mil. tons	147.90	144.45	---	175.64	171.53	175.06
Corn	1,000 bu.	4,478,418	4,427,610	85.0	5,268,727	5,208,953	4,722,164
Grain sorghum	do.	621,657	603,189	82.3	755,354	732,915	765,617
Oats	do.	118,947	33,866	84.6	140,599	40,031	781,867
Barley	do.	132,869	127,168	67.5	196,843	188,397	370,246
Soybeans	do.	955,553	946,567	86.9	1,099,600	1,089,260	972,701
Wheat	do.	1,028,685	749,094	84.1	1,223,169	890,718	1,524,349
Cotton	Bales	14,014,900	14,014,900	86.0	16,296,400	16,296,400	7,618,000

Table 5.--Production potential after retirement of 50 million and 70 million acres, by crops, by National Model regions

Crop	Unit	Northeast		Southeast		South Central		North Central		Great Plains		Northwest		6-region total	
		50	70	50	70	50	70	50	70	50	70	50	70	50	70
Corn	1,000 bu.	34,336	34,336	305,838	271,038	48,846	32,838	3,913,160	3,913,160	176,238	176,238	---	---	4,478,418	4,427,610
Grain sorghum	do.	---	---	6,255	6,255	218,152	218,152	207,868	189,400	189,381	189,381	---	---	621,656	603,188
Oats	do.	22,794	18,850	1,305	608	5,381	5,381	80,440	0	9,027	9,027	---	---	118,947	33,866
Barley	do.	410	0	2,440	2,440	0	0	4,181	4,181	86,843	86,843	38,995	33,704	132,869	127,168
Soybeans	do.	4,600	4,600	73,352	73,352	135,204	128,378	731,772	729,612	10,625	10,625	---	---	955,553	946,567
All wheat	do.	6,624	0	12,918	12,918	65,785	55,043	294,328	32,103	518,615	518,615	130,415	130,415	1,028,685	749,094
Cotton	1,000 bales	---	---	3,159.7	3,159.7	5,573.7	5,573.7	---	---	7.1	7.1	---	---	1/14,014.9	1/14,014.9

1/ Includes estimated production of 5,274,400 bales in the Southwest.

Table 6.--Production potential on retired acres at 50 million and 70 million acres retired, by National Model areas

Crop	Unit	Northeast		Southeast		South Central		North Central		Great Plains		Northwest		6-region total	
		50	70	50	70	50	70	50	70	50	70	50	70	50	70
Corn	1,000 bu.	0	0	29,151	63,951	6,300	22,308	0	0	3,824	3,824	---	---	39,275	90,083
Cotton	1,000 bales	---	---	173.1	173.1	1,078.9	1,078.9	---	---	0	0	---	---	1,252.0	1,252.0
Grain sorghum	1,000 bu.	---	---	14,358	14,358	44,297	44,297	0	18,468	53,648	53,648	---	---	112,303	130,771
Soybeans	do.	0	0	7,371	7,371	860	7,686	0	2,160	0	0	---	---	8,231	17,217
Durum wheat	do.	---	---	---	---	---	---	---	---	2,492	2,492	---	---	2,492	2,492
Other spring wheat	do.	---	---	---	---	---	---	8,854	24,811	44,458	44,458	5,562	5,562	58,874	74,831
Winter wheat	do.	0	6,624	8,937	8,937	27,048	37,790	118,144	364,412	191,790	191,790	26,320	26,320	372,239	635,873
All wheat	do.	0	6,624	8,937	8,937	27,048	37,790	126,998	389,223	185,679	185,679	31,882	31,882	380,544	660,135

Exports probably would increase, but Abel and Rojko estimated that an additional 8 million acres of grain would meet the increase in exports expected between 1964-65 and 1970.4/ In 1964, approximately 55 million acres of cropland were diverted, and because of the more even distribution of that land the productivity of the diverted acres was higher than it would be for an equal acreage retired under a general cropland retirement program. Thus, simply shifting from specific crop diversion to a general cropland retirement program of equal acreage could easily provide the additional production needed for the expected increases in exports.

DEVELOPMENT OF NEW LAND

The foregoing analysis assumes that new land would not be brought into production. But this is hardly a realistic assumption if product prices remain even close to those assumed for the analysis. Some 300 million acres of potential cropland are available and most of it could eventually be brought into production if there were no constraints.

In 1967, about 342 million acres of land were used for crops in the United States, and some 200 to 300 million additional acres were potentially available. According to the National Inventory of Soil and Water Conservation Needs, in 1958, we had about 638 million acres of land in land classes I, II, and III.5/ By definition, this is land that is suitable for continuous cropping with appropriate conservation practices. Some 74 million additional acres of land less suitable for crop production were also being used for crops. Thus, a total of 712 million acres of land were either used or potentially available for crop production. Only about half this land (355 million acres) was used for crops in 1958.

Some of this unused land could be brought into production; with modern machinery for clearing, draining, terracing, and land forming, new land can be developed at relatively low cost. Efferson has estimated that swampy woodlands in the Mississippi Delta can be cleared for less than $75 per acre. The expanded markets for soybeans have resulted in income over all costs except land averaging $25 per acre so that all costs of land development are recovered in 3 years.6/ If prices are maintained, incentives for further development may be expected.

The need for maintaining conserving bases under the feed grain, wheat, and cotton programs has likely retarded the development of new land. The discontinuation of these programs would be another stimulus to new land development. Profitability of soybean production caused soybean acreage to expand rapidly in the Mississippi Delta. This expansion occurred on existing and newly developed cropland.

4/ Abel, Martin E., and Anthony S. Rojko. World Food Production Prospects for World Grain Production, Consumption, and Trade. Foreign Agr. Econ. Rpt. No. 35. Sept. 1967, p. iii.

5/ U.S. Dept. Agr. Basic Statistics of National Inventory of Soil and Water Conservation Needs. Statis. Bul. No. 317. 1962.

6/ Efferson, J. Norman. "The Ability of the World to Meet Food and Fiber Needs of a Growing Population." Proceedings of the Southwestern Conference on The World Population Explosion and Its Implication for Agriculture and the South, La. State Univ., Baton Rouge, 1966, p. 14.

New land development was profitable in the Delta because of the relatively favorable prices for soybeans and improved methods of land clearing. Until 1966, participation in the cotton programs did not require the maintenance of conserving bases and many Delta farmers did not participate in the feed grain and wheat programs. The rice allotment program does not require maintenance of conserving bases. The removal of the conserving base requirement may result in renovation of idle and diverted cropland for production in other areas as well.

Many farmers would use a period of unrestricted production to build up allotments and bases although the economic incentives may be small. During World War II, the Korean conflict, and again in 1959-60, farmers who increased their acreages of base and allotment crops were able to incorporate the expanded production into new bases and allotments when these were again imposed. Some farmers will expect similar developments again, following another period of unrestricted production, and will use the opportunity to build bases. This will be a further stimulant to the development and renovation of potential cropland.

The ending of present control programs would release 40 to 50 million acres for crop production. In 1967, about 40 million acres were diverted under various land diversion programs. In 1968, about 50 million acres will be diverted. Except for that acreage retired under a new program, most of this land may be expected to revert to its former uses.

Certainly, 300 million more acres could not be brought into crop production in a short time. The point is that additional acreage would have to be retired each year to counter the production effects of new cropland if a general cropland retirement program is to maintain or improve farm income. Thus, a general cropland retirement program much larger than the one considered in this analysis would be needed to keep production down sufficiently to assure farmers fair prices for their products.

EFFECTS ON LAND VALUES

To the extent that general cropland retirement would replace acreage allotments and to the extent that such replacement would be regarded as permanent, those land values now reflecting capitalization of allotment benefits would be reduced. Such cancellation of allotments would permit production of present allotment crops on additional acreage. This would probably increase the value of some land which is not now eligible for production of allotment crops. Except for any differences in levels of production and Government payments, the effect on total and average cropland values would probably be negligible.

If a general cropland retirement program could limit production to approximately present levels, then the effect on total cropland values would be approximately the capitalized value of the difference in Government payments between the general cropland retirement and present programs.

Should production under a general cropland retirement program significantly exceed present levels relative to effective demand, farm income from production would decline with consequent decline in total and average cropland values. If total net farm income could be maintained at the present level, despite development of additional cropland, then total land values would remain constant, but per acre values

would decline. Thus, the financial position of farmers unable to bring additional land into production would be eroded by such action of those who are able to do so.

The acres retired for payment are likely to have a slightly higher value while under contract than before, other things equal. This is so because they presumably would not be retired except for payment equal to or greater than their expected income prior to retirement.

Since a general retirement of 70 million acres of cropland is estimated to result in increased production and decreased net farm income, and since no constraint has been assumed on bringing more land into crop production, such a program of general cropland retirement in lieu of present programs would reduce both total and per acre cropland values.

EFFECT ON FARM PEOPLE

Should this general cropland retirement program result in reduced net farm income, some farmers might be able to maintain their income position by increasing the size of their farm; others would not be able to expand and would be forced either to accept lower income or seek off-farm employment. Thus, the operation of a general cropland retirement program of the magnitude considered here, would be expected to intensify the adjustment problems of many farm people.

However, a long-term general land retirement program can help some farm people adjust to changed situations. Older owner-operators can retire some land for a number of years and be relatively free of managerial problems. Similarly, people with off-farm jobs can receive some income from their land with relative freedom from its management.

Unless the program imposed some restrictions on participation, nonoperating landowners also would rent land to the Government. The program would provide each landowner another tenant, the Government, bidding for his land in competition with operating tenants. Government competition in the market for rentable land would hardly benefit operating tenants.

Thus, while a general cropland retirement program could facilitate adjustment of some owner-operators, it could also impose a disproportionate share of agriculture's adjustment burden on tenant-operators. The anticipated impact on tenant-operators would be significantly reduced by prohibiting retirement of whole operating units, but such a restriction would reduce the program's contribution to the adjustment of owner-operators. However, a small land retirement program would facilitate needed economic adjustment by some farm people and would retire some productive capacity at low cost.

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