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This is a happy occasion for me.

It is the mid point of the decade of the '60's. It is a good time to take stock and see where we started, where we are and where we will be when this dramatic decade of progress closes in 1970.

These are optimistic times for agriculture ... for rural America ... and for the Nation.

Farm income is up. In fact, net farm income will reach \$14 billion this year. This plateau has been exceeded only five times in this century.

Next year will be even better, according to the outlook material before you.

The real cost of food, as measured by the proportion of family income spent to acquire it, is lower than ever before -- and the quality and variety is greater than ever before.

Grain surpluses have been nearly eliminated, the tobacco carry-over has turned down, and, even with large stocks of cotton, the carryover stocks of farm commodities are the lowest since 1957.

Farm exports are at record levels, substantially exceeding our 1961 estimate, and now account for one out of every six dollars the farmer earns from the sale of his products.

Address by Secretary of Agriculture Orville L. Freeman at the 43d Annual National Agricultural Outlook Conference, Thos. Jefferson Memorial Auditorium, Washington, D. C., Monday, November 15, 1965, 9:40 a.m., EST.

The Congress this year has enacted a sweeping new farm program in the Food and Agriculture Act of 1965 which involves basic changes in farm policy. This legislation extends over the next four years, something never before done in farm programs.

The strategic importance of agriculture to the health of our economy and to our influence in world affairs is more fully recognized. Never before has a President asked a Secretary of Agriculture to head a committee made up of the Secretaries of State, Commerce and Labor to advise him on agricultural policy of the future -- its impact on the domestic economy and our foreign policy -- and appointed a commission of citizens so broadly representative of the Nation's economic interests to participate in this effort.

We have come a long way since my first appearance before this conference four years ago.

The prevailing mood in agriculture that year was one of pessimism. It reflected a concern among farmers over the direction of farm policy and an apathy among urban Americans who saw farm policy as an issue where no answer existed.

The American farmer had achieved unparalleled success in making the land produce an abundant harvest year after year. Yet, most people had become convinced that this success was more of a problem than an enormous achievement, and few people understood that the real problem grew out of our failure to use fully the opportunities which abundance provides.

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This was the beginning of the struggle to devise farm policies which would improve farm income and at the same time make better use of abundance -- which would bring a better balance between production and use of food and fiber and at the same time reduce surpluses and the cost they placed on the American taxpayer.

We have had to face the arduous task of obtaining major farm legislation each year, starting with the Emergency Feed Grain Act of 1961.

We have come through a period of trial every step of the way, for the task was to develop programs which would work -- but first would pass the Congress, and then would meet acceptance by farmers -- and the Nation's Consumers and taxpayers.

Outlook work was not easy during this period, and I appreciate the difficulty this imposed on you -- particularly when an impatient Secretary of Agriculture demanded answers to questions where the best response was only an educated guess.

I believe, however, that when agricultural historians come to review the decade of the sixties, they will agree that the Food and Agriculture Act of 1965 was a major turning point -- a major breakthrough -- in farm policy.

This claim can be verified on several different levels.

No farm legislation in recent years had so much bi-partisan support as the Food and Agriculture Act of 1965 received.

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There are very few people today -- and certainly many fewer than in 1960 -- who take the position that farm programs are not needed.

There is broader recognition that any agricultural system must provide the individual farmer with maximum flexibility to use his judgment and managerial skill.

Thus, the extremes have been cut away from farm policy issues, and a broad base of support for present policies has been achieved.

On another level, there is more recognition that farm programs are as vital to urban people and to the world interests of this country as they are to farmers and the rural community.

This reflects, I believe, a deeper understanding of the meaning of abundance -- and the opportunities and responsibilities which abundance creates for those who seek and achieve it.

Abundance, by definition, implies a condition where there is more than enough food for every person and the capacity to produce more than enough. No degree of planning can insure precisely the amount of food required for every person. This would require perfect control of all elements of production, including weather, as well as precise control over the amount of food each person consumes.

No system has been devised to achieve this kind of perfection. Therefore, overproduction is always a threat to the producer who makes abundance possible.

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The American farmer -- the family farmer -- has achieved true abundance. But he has done it through an economic system that tends to levy a terrible penalty for abundance -- that is, for producing slightly more than enough.

He lives in a marketplace where abundance is treated as excess production -- where efficiency and productivity can bring ruin more easily than wealth.

You economists have a clinical name for this condition. You call it inelasticity of demand. For every percentage increase in production of farm commodities beyond the point where needs are satisfied, the price of farm commodities will fall on the average by 4 percent. This condition is further complicated by the organization -- or lack of it -- in agriculture. With a system of family farms, no individual farmer can improve his return by a decision to reduce production since his individual action has no effect on market prices.

In the past this has meant that few farmers were able to earn parity of income -- or a return for his investment, skill and labor comparable to that which these resources could earn in other occupations. Five years ago, even with farm programs, few farmers earned parity of income. Today, the progress of the past four years has meant that nearly a half-million farmers earn parity of income.

The essential task of farm policy -- while it has appeared to be designed for the farmer alone -- has been to find some special glue

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to hold together an agricultural industry that can be both productive and prosperous. What has evolved in the Food and Agriculture Act of 1965 is a balancing mechanism to assure abundance within a system which is not a natural host.

The Food and Agriculture Act of 1965 draws on the experience of three decades of farm programs designed to make possible continued abundance of food and fiber at a minimum cost to the taxpayer, at reasonable prices to consumers and at a fair return to the producer.

It puts this Nation well along the road toward a basic change in farm policies, for, despite similarities in appearance and purpose with previous legislation, the new legislation provides a new approach to farm policy.

Specifically, the provisions of the Act of 1965 represent a shift in policy away from price supports for the major commodities at levels above world market prices -- a policy which has characterized commodity programs since before World War II -- to a policy of using the market, both domestic and foreign, to the maximum by setting price supports as close to the market levels as possible.

At the same time, farm income will be strengthened through provisions for direct payments to farmers who cooperate by diverting productive acres to other uses. While direct payments to cooperating producers in combination with a market price support loan is not a new concept, extending its use to cotton as well as feed grains and wheat is a major breakthrough.

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Another important feature of this legislation is a Cropland Adjustment Program which will be carefully tailored to supplement the individual commodity programs -- and to reduce their cost. Equally important, this program breaks new ground toward improved urban-rural relations. It encourages farmers to develop conservation practices which will increase wildlife, and to open their lands to urban sportsmen. It also will provide more open space for recreation and beautification, and will enable States and local communities to obtain new land to meet the rapidly growing demand for outdoor recreation.

The new legislation also provides a dairy program which will enable producers in Federal Milk Marketing Order areas to reduce surplus milk production.

The primary value of the new policy can be summed up in one word: Flexibility.

While the policy emphasis has been to restrain production, this legislation can effectively trigger an increase in production if it is needed. The authority exists to bring back into production the more than 50 million acres presently diverted from crop production. If the need arose, for example, we could double the Nation's wheat production in two years -- with most of the increase in the first year.

Individual farmers will have greater flexibility in the management of their operation, with a broader range of alternatives to consider in determining the course that seems best for their individual needs. With a four-year program, the farmer can plan ahead with greater assurance than ever before.

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With the new policy, increased reliance will be placed on market demand as the key factor in market pricing. This means that the farmer will be able to price his products competitively in both domestic and world markets, and that the daily business of acquiring and disposing of surpluses through Government channels will be greatly diminished.

This new approach will encourage maximum domestic use of farm commodities -- and slow the development of substitutes, and it will also enable the farmer to gain a stronger position in world trade. These programs, for example, take a big step toward fulfilling our obligation under the General Agreement of Tariffs and Trade to use export subsidies as sparingly as possible in gaining a fair share of world markets.

No policy, however, can be fully understood, nor its impact adequately forecast, unless it is judged against the conditions we expect will prevail in the years immediately ahead.

Let me list some of these briefly:

First, the abundance revolution -- the explosion in productivity which began in the early 1950's -- will continue unabated. Change, rapid change, will continue to be the dominant characteristic in American agriculture.

Second, our capacity to produce will continue to exceed our ability to consume or to export. Increasing prosperity at home will cause some shifts in consumption patterns, but consumption of food will increase only about as fast as our population grows.

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Third, world markets will grow more rapidly than domestic markets. A rising level of incomes in other Nations will bring new export opportunities to American agriculture, and the failure of agriculture in Communist Nations to provide adequate supplies of food will add a new dimension to world markets.

Fourth, we will continue to maintain adequate reserves of food and fiber, as opposed to unneeded surpluses, to respond to any need at home or abroad, and we will preserve the capacity to expand production substantially.

Fifth, we will continue to make better use of our food abundance as an instrument of American foreign policy and humanitarianism as we also help other countries to improve their own agriculture and avoid disruption of world commerce.

In this context, the new farm policy of the Act of 1965 will enable agriculture to insure that:

* The American people will eat better and at less real cost by 1970 than they do today. More than 195 million American people today enjoy an abundance of the highest quality food of any Nation, and they spend about 18.5 percent of their disposable income for it -- less than in any other Nation. By 1970, more than 209 million Americans will be eating more meat, poultry, fresh fruit and vegetables, and will be spending about 17 percent of their disposable income for it.

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As a result, a family of four will have about \$160 additional income to spend for other purposes because the real cost of food will be lower than it is today.

* Grain surpluses will disappear before 1970, and the surplus in cotton and tobacco will be substantially reduced.

* Farm exports will continue to expand. Exports this year are pushing beyond \$6 billion to a new record, and will exceed 1960 levels by more than \$1.5 billion. By 1970, farm exports could well increase another \$1.5 billion to beyond \$7 billion, with most of the increase in dollar sales.

* Net farm income over the next four years will average nearly \$2 billion a year higher than during the latter half of the 1950's. Net income per farm will be more than \$4,100 this year, or about 40 percent higher than in 1960. Per capita income of farm people increased 35 percent, while non-farm income per person rose about 20 percent, over the same period. The income gap between farm and non-farm people is narrowing and will continue to draw closer together in this decade.

* The Food for Peace program will become an instrument of greater strategic importance in American foreign policy by 1970 than it is today. The program will continue to guard against famine, and it will provide increasing means of assisting the developing Nations to improve their agricultural capacity.

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Four years ago these projections would have been described as the idle speculation of a perpetually optimistic dreamer. Today, because of the back breaking effort of a great many people, they seem almost cautious.

But four years ago, few people understood the true significance of the unbelievable success of the American farmer. Today, because we have tried to be as imaginative in applying the power of this achievement as the farmer has been in producing this abundance, we have begun to realize some of the potential of abundance.

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