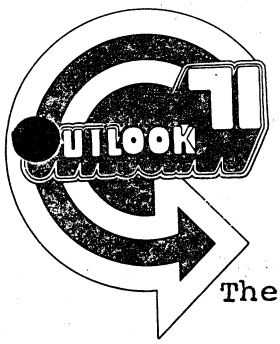

Implications of New Farm Legislation

The collection and dissemination of farm management and outlook information has taken on increased importance with the passage of the Agricultural Act of 1970.

Many farm management decisions which were previously determined by program regulation are now returned to the individual farmer. To be successful, the farmer must have access to the relevant variables of expected supply, demand, price and production costs. We believe that given this information farmers can make better decisions taking into account more fully their talents, type of land, climate, equipment, etc. than can ASCS in Washington.

Specifically, the program has been changed to (1) eliminate the requirement that farmers plant a certain acreage to be eligible for price support benefits; (2) eliminate the requirement that farmers limit planting of specific crops to the acreage allotments less diversion; (3) cross complicance is no longer required; and (4) administrative actions are being taken to correct some of the inequities associated with conserving bases.

The science of outlook is normally fraught with uncertainty but the situation this year is particularly complicated for the following reasons:

Speech by Carroll G. Brunthaver, Associate Administrator, Agricultural Stabilization and Conservation Service, USDA, at National Agricultural Outlook Conference, USDA Jefferson Memorial Auditorium Washington, D.C., February 23, 1971

1. Corn blight and seed problems
2. Higher grain and soybean prices compared with recent years.
3. A rapidly changing livestock situation
4. A changing soybean demand situation
5. New farm programs

Background Data

The demand for agricultural commodities this year is expected to exceed acreage actually harvested in 1970 by 20 million acres as the attached table illustrates:

This usage is possible because of the release of CCC-owned and reseal inventory. The draw down is evident in the following figures:

Corn	Oct. 1, 1970	Oct 1, 1971 (Est.)
	- - Million Bushels - -	
CCC owned	255	50
Reseal	327	150
Total	582	200
Soybeans		
CCC owned	150	0
Reseal	44	0
Total	194	0
Wheat		
CCC owned	302	237
Reseal	420	295
Total	722	532

Grain Sorghums		
CCC owned	173	100
Reseal	15	7
Total	188	107
Barley		
CCC owned	49	32
Reseal	96	78
Total	145	110
Oats		
CCC owned	119	154
Reseal	186	76
Total	305	230
GRAND TOTAL	2,136	1,179
TOTAL Feed Grain (Mil Tons)	29.8	14.8

It was for this reason that the diversion requirements for 1971 were limited to 20 percent for corn and grain sorghum, 0 for barley, 75 percent of the wheat domestic allotment and 20 percent for cotton.

With this reduced set aside requirement, we estimate that participation in the program will increase and that the resulting acreage diverted will be 35.1 million acres compared with 56.9 million diverted last year. The breakdown by program is as follows:

	Acreage Diverted	
	1970	1971 est.
	- Million Acres -	
Corn	26.1	12.8
Grain Sorghum	7.4	3.8
Barley	3.9	-

Wheat	15.7	13.0
Cotton	-	2.1
Long Term	3.8	3.4
Total	56.9	35.1

The 1971 estimate for feed grains assumes that 72 percent of the corn and sorghum base will be signed up to participate compared with 65 percent in 1970 and 67 percent in 1969. This estimate for 1971 may be low and actual diversions of corn and sorghum may exceed 16.6 million acres.

It is interesting to compare the reduced diversions estimate with planted acreage estimates for 1971 based partly on the January 1 Planting Intentions Report. Of the 21.8 million acres dropped from government diversion only 10 million acres showed up as additional plantings. If this is an accurate estimate of program slippage, the implications concerning the amount of excess productivity capacity in U.S. agriculture is noteworthy.

History Preservation

In 1971 we are permitting farmers with a feed grain base to protect that base for 1972 by planting 45 percent of the base to either corn, sorghum or wheat. By the same token, a wheat allotment may be protected by planting 90 percent of the domestic allotment to wheat, corn or sorghum. The base may also be protected by making the required set aside and not collecting the price support payment.

In addition the 1971 feed grain history will be protected if the farm is in a county which was severely affected by blight in 1970 and the farmer certifies that he can not obtain blight resistant seed for 1971.

Effects of 1970 Legislation

I will conclude with some general observations on what we anticipate will result from the new legislation for agriculture.

The removal of both the requirement to plant for program benefits and the limitation of plantings to allotments should encourage shifts in patterns of production both within and between historic production areas.

Soft red winter wheat production decisions should no longer be influenced by certificate payments. These payments can be earned without producing wheat. Nor will we require SRW producers to limit their wheat acreage to their allotment. The soft red wheat market must now compete for wheat acreage from corn and soybeans. Since corn planting will not be required to earn feed grain payments the wheat-soybean double cropping pattern may increase in the Southeast. Certainly wheat production can expand in the Plains and Pacific Northwest where that crop has a clear-cut advantage and farmers have only limited alternatives.

We are currently seeing some very interesting shifts occurring in the heavy beef-feeding areas of the Southwest. Let me highlight a few.

Rye acreage (primarily for grazing) in Kansas is estimated at 305,000 acres in 1971, up 300 percent from 1968.

Barley acreage in Oklahoma at 622,000 acres is double the 1968 acreage.

Oat acreage in Oklahoma, estimated at 399,000 acres is up from 241,000 from 1968.

Oat acreage in Texas is up 1 million acres from 1968 planted acreage.

Grain sorghum acreage in the South totals 1,406,000 acres, up from 612,000 in 1968.

Market orientation will permit such changes to occur even more rapidly in the future. The flexibility of the set aside program can be appreciated this year as farmers are faced with the corn blight problem. Farmers outside the affected area can expand corn production without losing program benefits, and producers in the affected area can plant alternative crops without losing payments.

The goal of market orientation is to give as much decision-making as possible back to the farmer so that he may specialize or otherwise be free to make those decisions which will allow him to produce competitively and at a profit. In addition, the Act eliminates those loan escalating features which in the past have threatened to price us out of international markets. Operating

under the Market Oriented approach the goal will be to cultivate demand. We'll try to have a constant supply of high quality products available and eliminate as many barriers (tariff or non-tariff) to trade as possible. Calendar 1970 was a record agricultural export year for the United States. An important goal of Domestic Agricultural Policy in 1971 will be to improve net farm income by those actions which will promote additional sales -- both domestic and foreign.

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COMPARISON OF ACREAGE HARVESTED IN 1970 AND UTILIZATION--IN TERMS OF ACREAGE, 1970

Crop	Production	Acreage harvested	Yield	Use	Use/yield = acreage used	Acreage used harvested
Corn	4,109	57,359	71.7	4,480	62,482	5,123
Sorghum	697	13,751	50.7	778	15,345	1,594
Barley	410	9,642	42.6	454	10,657	1,015
Oats	909	18,580	48.9	958	19,591	1,011
Soybeans	1,135	42,447	26.8	1,295	48,320	5,873
Wheat	1,378	44,306	31.1	1,555	50,000	5,694
Total						20,310

February 22, 1971