



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

1.941
S2/28

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

NEEDED AGRICULTURAL PROGRAMS

DISCUSSED at the 22nd Annual Agricultural Outlook Conference, November 16, 1944

By W. H. Dankers, Extension Economist, University of Minnesota, St. Paul, Minnesota
Margaret G. Reid, Department of Agricultural Economics and Rural Social Science, Iowa State College, Ames, Iowa
L. C. Cunningham, Extension Economist, Cornell University, Ithaca, New York
J. L. Lawson, Assistant Director of Extension, Alabama Polytechnic Institute, Auburn, Alabama.

OUTLINE OF DISCUSSION by W. H. Dankers, of the University of Minnesota

A. Assumptions:

1. Agricultural programs should enhance agricultural and non-agricultural welfare to the fullest extent.
2. Farmers are primarily interested in longer time welfare -- rather than year-to-year programs that leave them mired a few years hence.
3. Farmers want and should be encouraged to produce at the fullest possible volume of output, at efficient production, with a wide distribution of the resulting income among consumers generally--lowest possible marketing margins.
4. Farmers are more willing to cooperate with Government in any reasonable and worth-while program if they are made partners instead of mere recipients in a program.
5. Agricultural and other programs should operate within a framework of democracy.

B. Careful coordination of agricultural programs is necessary.

1. Production increases were suggested without making arrangements for marketing such increases -- has resulted in local market gluts during a period of national food shortage.
 - (a) Even in areas where increased production seemed desirable.
 - (b) Marketing adjustments were made only after the area was in trouble.

JAN 30 1945

- C. Production increases have not been sufficiently regionalized--this has resulted in low-quality products, marketing and price problems.
1. Potatoes were encouraged in worn-out, diseased areas.
 2. Egg production was encouraged in unfavorable feed-deficit areas-- Northeast Minnesota.
 - (a) Egg consumption exceeded production in pre-war period -- area on import basis -- egg prices were higher than State average.
 - (b) Increased production was encouraged -- egg price level was reduced to the level of egg surplus areas -- feed costs were comparatively too high and feed had to be imported from surplus areas -- markets for surplus eggs had not been developed.
 - (c) Producers were in trouble -- had invested in facilities -- then had to reduce numbers -- facilities for poultry production were still on hand, but obsolete.
 - (d) A 20-percent increase in egg production in 10 Northeast counties could have been equaled by a $2\frac{1}{2}$ -percent increase in the 10 highest producing counties of the State -- could have been done with much less dislocation of the industry.
- D. Increases in processing facilities have not been sufficiently regionalized.
1. Milk program in the main is fairly well placed. A few plants have been located in non-milk areas -- here were quality problems and higher transportation costs because herds are small and there is less real interest in dairying.
 2. Attempt was made to establish an egg-drying plant in Northeast Minnesota where, in the prewar period, the consumption of eggs greatly exceeded production.
- E. There was delay in constructing processing facilities and a tendency to underestimate the potential capacity.
1. Milk plants could and should have moved into operation much faster-- the lag intensified the demand for the limited supply available. Present indications are that there may be more capacity than needed when in full use -- last constructed plants are in the least favorable locations.
 2. Expansion that is largely dependent on processing facilities is difficult to start, but hard to stop.
- F. The principle of "a little too much is better than not enough" is sound from a wartime national standpoint, but its local and regional complications have probably been overlooked -- especially when processing facilities are involved.

1. Economical cream-buying units that may be needed as such in the post-war period are still converting to milk at a time when it is a question whether such milk increases are needed. They are faced with a probable discontinuance, or conversion at a high cost, at an uncertain and late date in the war period.
- G. The influence of favorable prices has been underestimated.
1. It appears that favorable prices are paramount to Government financial aid for processing plants--the abundant construction of egg-drying plants in the earlier part of the war period gives an illustration.
 2. Patriotism is actually not an issue in many cases.
 - (a) To ask a farmer or farm groups to increase or decrease production may not be effective, if the financial remuneration lies in the other direction. Even though milk is needed more, as long as pork or other products are needed a farmer can be patriotic by continuing with such production.
- H. The framework of support and ceiling prices should be re-examined and adjusted when necessary.
1. Lack of adjustment results in the use of labor and equipment resources for the production of products that are needed less than other products for which such resources should be used.
 2. The apparent tendency has been to allow liberally on the upward side for both support and ceiling prices for some products.
 - (a) Is expedient for increased production and desirable for the producers from a short-time standpoint.
 - (b) Is responsible for overexpansion and longer time problems.
- I. The basis for establishing support and ceiling prices should be re-examined. Parity price is based on static conditions.
1. The agricultural industry is highly dynamic. There is no ideal all-time relationship among prices.
 - (a) Production costs change.
 - (b) Demands change.
- J. The basis for establishing marketing margins should be re-examined frequently.
1. Marketing margins should cover only the necessary marketing costs.
 2. Marketing margins that are too high, and resulting high consumer prices, hinder the movement of abundant supplies to consumers.

K. Agricultural programs should be tied more closely to State Colleges and Extension Services.

1. Especially with respect to longer time adjustments and policy.
2. Present a real challenge to these groups.

L. Agricultural programs should operate within the framework of democracy.

1. Requires a more complete program of information for farmers as partners.

(a) Why are such programs needed?

(b) Why are such programs outlined and set-up in a certain manner?

(c) What may be the shorter and longer term problems and results?

2. Requires an acceptance of reports and criticism from farmers and others who are closest to where such programs are in effect.

DISCUSSION by Margaret G. Reid of Iowa State College

The part of this broad theme that was assigned to me is a discussion regarding housing. In any rural-housing program the local situation is extremely important. Anything done on the National level can be effective only if it is adapted to the local situation. To do this successfully it is essential to have a clear picture of the local situation -- to know just what it is.

One of the first steps (which has perhaps already been taken in many places) is to bring together facts about the housing situation in the States, and in regions within States, and thus gain insight into factors and influences; to discover what has determined the housing situation in the past. Extension workers can get many facts about housing in the 1940 Census reports: on water, electricity etc. From these and other facts an attempt should be made to set up housing standards or goals. These standards should not be set too high: an over-all average based on the survey will be of help. People of Iowa might set up minimum standards of housing, in order to see the shortcomings of their own housing. But these standards would be ineffective in Texas or in California, for instance, because of different conditions.

A realistic housing program should be directed to changing the things over which individual families have no control as well as in helping people to discover how they can help themselves. With respect to the latter it is important to note that if we ascertain from families their attitudes and objectives, we can then see what we need to do in order to help them to act intelligently.

Income is a major factor in the improvement of housing. We shall not go ahead very fast with housing improvement unless farm income is maintained. If families, in large numbers, feel they cannot afford improvements, the housing program will fall flat.

Perhaps income improvement will not be possible in every place, anyway. Perhaps certain areas, where land is poor should be taken out of farming. Or perhaps opportunities in education and jobs could be provided so families will migrate to other places. These families get better housing by moving to other communities.

Tenancy has an important bearing on housing. Questions arise as to whether a farm family can go ahead with housing repairs and improvements on their own and expect the landlord to reimburse them.

Wallace's Farmer conducted a survey of attitudes inquiring: "What would you think of a law that if a tenant puts in needed improvements, he should receive compensation?" The questions were under two headings: (a) Seems like a good idea, (b) Might be all right if the landlord said "o.k." Under (a) More women than men favored the idea, more Democrats than Republicans, more tenants than landlords.

Under (b) 75 percent of the farmers either thought it a good idea or thought it was all right if the landlord approved. The owners gave much heartier approval to (b) than to (a). They wanted the right to approve the changes before the tenant made them.

Another issue is skilled labor in the community. Its shortage undoubtedly varies among parts of the country. In Ames, a town of 15,000, it was said this year that there were no bricklayers available. There is very little skilled labor in many communities where farm building is to be done. This skilled labor has moved away because farm building has fallen off and because, through better transportation, the people do not have to live so close to their work as formerly. Then war and war industries have disrupted the supply of skilled labor. Many skilled laborers are working on shipbuilding and other industries where wages are very high.

We must take some account of the supply of skilled-labor and see what we can do about it. At Iowa State College, an attempt is being made to find out the extent of shortages of skilled labor, in order to see if short courses at the college would be justified for training people for rural communities. The question arises as to what extent farmers should be taught the necessary skills in putting in water systems, wiring for electricity, and the former trades of stone mason, master carpenter, bricklayer, etc.

Lumber supplies for rural housing are very short at present. In time will they be available? Can local markets be improved? Should we have organized farmers' cooperatives in building? If we get into the kind of housing program needed, it might be worthwhile to experiment with cooperatives in farm building. They might be TRIED in certain areas. I believe the cooperative could probably be as useful in the field of building materials as it has been in the field of fertilizers.

In the literature on housing, you will find that people often consider better credit the solution of the housing situation. There has been a great deal of urban credit to stimulate city housing. But these agencies cannot be extended to farm communities. A different kind of finance is needed. Financing improvements on the farm house is a part of the farm financing -- whereas in urban communities, credit is extended separately for the business and for the home. The credit for farm housing should be developed as a part of farm credit. How adequately do farm credit agencies meet the need of credit for farm housing? Not very well, I surmise. Attitudes about credit are in part responsible.

A basic principle of business credit has been: "Credit should be granted only when the use to which the funds are put provide the funds to repay the credit." But you cannot extend the housing credit on that basis alone. There has been a great development of consumer credit in urban areas. Credit is extended if the person can show ability to pay for the credit. The loan does not tie up to how it is to be done but to the person's ability to pay. Yet the Twentieth Century Fund when writing of credit for farm housing in its recent book American Housing states: "Most lenders, including the Farm Credit Administration, are reluctant to advance credit for non-productive purpose. Several efforts have been made to remedy the situation but no satisfactory solution has been found."

Then there is the matter of subsidies for housing. They are widely used in urban communities, and their use has been developed in European countries for farm housing. But they have not been used much in this country. In subsidizing Soil Conservation we provided labor to do the work on individual farms. Would a similar system be desirable for housing? The Land Grant College Association is proposing a bill to subsidize research and education regarding farm buildings in general. The desirability of limiting subsidy to such purposes is likely to be questioned in the coming years.

With housing improvement influenced by many factors and dependent on local action, it seems highly desirable for each State agricultural extension service, in cooperation with its experiment station, to have a local committee to appraise needs, set up goals, and work out programs. Cooperation beyond State boundaries may be very helpful such as has occurred in the Farm Structures Research Committee in the North Central Region.

DISCUSSION by L. C. Cunningham of Cornell University

Members of the Department of Agriculture and others here have hit a new high in the painstaking analysis of the agricultural situation presented to us during the last 3 days. Their reports to us indicate that months have been spent preceding this conference in the preparation of data and study of the problems. There is apparent general agreement among the representatives of the States at this conference on the findings that have been presented for our consideration.

The program this morning is aimed to define the areas of agreement on the agricultural programs needed to solve these problems. It will not be surprising if there are areas of disagreement also. At any rate, such careful analysis of the problem is a forward step even though we may not all be able to agree on the solutions.

I have not canvassed the thought of the representatives of other States so what I say here is just one individual's opinion.

This program today represents a sort of transition from what the programs used to be 5 or 10 years ago. Then, the Department workers presented their analyses of the outlook and this was followed by the State representatives' interpretations of the outlook.

May I comment on another change? In former years, many of the regular sessions were used to analyze changes in crop acreages, numbers of cows and chickens, storage stocks, and the like, for clues as to the outlook for farmers in the next year.

For 1945, however, these things which are important in normal times, are greatly over-shadowed by probable changes in the over-all economic situation, so we are pleased to find the program this year dealing with "Post-War Agriculture" and discussions led by representatives of the Board of Governors of the Federal Reserve System, of the Bureau of Labor Statistics, the Bureau of Foreign and Domestic Commerce, UNRRA, FEA, and others. The Dairy and Poultry Outlook, as such, is listed for 4 to 6 p.m. on Friday.

The upswing of the price level of farm products in the United States during the past decade, bringing agriculture from severe depression to unprecedented prosperity, suggests that the most needed program in agriculture is one that prevents wide fluctuations in the commodity-price level of the country, and some smoothing of business cycles, particularly of the building cycle.

Did you get the point made by Mr. Wall, in his excellent discussion of agriculture's "Balance Sheet" on Monday, that of the 21-billion-dollar increase in the assets of agriculture from 1940 to 1944, nearly 20 billion was due to price increases, and one-and-a-half to more crops and livestock? The solution to this problem cannot be found within agriculture alone, hence the very appropriateness of this program of the past 3 days. In my judgment, the Number 1 program needed in agriculture, and other industry too, is one that brings about a reasonably stable price level.

I am convinced that we can't fight a major war without a striking rise in prices of farm products, especially if these prices are low relative to other prices when war begins. But reasonable stability of the price level is attainable

in times other than during wars. I am optimistic enough to believe that, some year, we shall have discussions during the annual Outlook Conference of the factors, whatever they may be, that cause the price level to fluctuate violently and the measures that are necessary to prevent these ups and downs. This will mean fewer of such superficial statements as "Incomes of Farmers, incomes of city workers, and imports rise and fall together." Of course they do, but what causes them to?

With reasonable stability of the group level, prices and price relationship should be depended upon to guide agricultural production rather than acreage controls of individual crops. For example, does anyone claim that the cotton program of the last 10 years is a solution to the cotton problem? Do our programs on wheat and flax really make sense? But such price relationships between individual farm products cannot be those now frozen in our present laws concerning parity, if production is to be guided intelligently.

A second program needed in agriculture is that of fitting our markets to that production which will result, one year with another. This means, among other things, improved marketing and distribution of farm products, and food subsidies to low-income groups. As with suggested program Number 1, no originality is claimed for this idea. It was well expressed and emphasized by Mr. Tolley at the recent meeting of the Land-Grant College Association in Chicago. He stated in his prepared paper, after discussing the problem of adjusting production to conditions of widespread unemployment, "The wiser course--and the surer course--would be to use all possible means to adjust our markets to the available production."

The recent report on Post-War Agricultural Policy by a committee of the Association of Land-Grant Colleges and Universities sounds a similar note when it states "Manipulations of agricultural production and price are no substitute for good consumer markets."

Many programs are, of course, needed in agriculture. These two suggested programs will serve much of our agriculture in the price field. Special price programs are needed for cotton, wheat, and any other farm products that are produced in excess of domestic requirements. First, we must make up our minds whether or not we are going to participate in the world markets for these products. So far, we have successfully priced ourselves out of those markets, but production continues to be large.

As I see it, this is not the time, nor perhaps the place, to spell out in detail what our agricultural programs of tomorrow should be. But I do want to take this opportunity to further the idea that the kind of agricultural programs we really need are ones that attempt at least to: (1) develop economies in marketing and improve the distribution of farm products, including special attention to low-income groups, (2) bring about proper price relationships within agriculture as guides to the kinds and quantities of agricultural production we want, and (3) establish a reasonably stable commodity price level in our whole economy.

DISCUSSION by J. L. Lawson, Alabama Polytechnic Institute

First, we must remember we have a tremendous burden of population on the land we farm in the South. Let me say, however, that the relative overpopulation of rural areas is not confined to the South alone, since 50 percent of the Nation's farmers produce 90 percent of all farm products sent to market. With the exception of a few scattered States, the States in the Southeast comprise the only major geographical area in which the reproduction rate of population exceeds unity, that is, where more children are being reared than are necessary to maintain a stationary population. With one-fourth of the Nation's population, the South before this war was furnishing one-half of the Nation's natural increase in population. With approximately 40 percent of the Nation's farm population, the South has only 17 percent of the total land in farms. In Alabama, we have a little more than 5 acres of cultivated land per farm person, as contrasted with three to more than four times this amount in the Midwest.

Our low per capita farm income is closely related to production; for example, Iowa produces more corn on about 10,000,000 acres than is produced on more than 32,000,000 acres in the 13 Southeastern States. In terms of income the 917,000 farm people of Iowa receive more than twice the cash income from the sale of livestock and livestock products than the 3,615,942 farm people in South Carolina, Georgia, and Alabama, receive from sales of cotton, cottonseed, and livestock. The per capita value of all farm production in Iowa for the 5-year period ending in 1928 was \$923, and was only \$131 for Alabama.

So much for population and income; next comes mention of some of our principal crops, including cotton and peanuts.

Although domestic consumption of cotton has been high during this war, we have gradually lost our export trade. The competition from synthetics has increased. The production of rayon in 1920 was equivalent to 23,800 bales of cotton; in 1942 it had increased to an equivalent of 1,464,900 bales of cotton. In 1920, rayon cost about 60 cents per pound; in 1942 it was 24 cents.

Production capacity for rayon has increased from about 23,000,000 pounds at the beginning of World War II to about 250,000,000 pounds at present.

Cotton acreage has gradually declined. Alabama has about 10,000,000 acres of available crop and pasture land. Cotton acreage during the past 15 years has declined from about 3,500,000 acres to 1,500,000. Peanuts have partially offset this loss, but we shall perhaps have great difficulty after the war in meeting competition from imported vegetable fats and oils.

The picture for Southern agriculture, however, is not so dark and gloomy as these figures might indicate.

Mechanization after the war will decrease production costs of cotton and other crops. The present tendency to increase the size of farm units in many sections will continue if industry is further developed and a high level of national income is maintained.

In Alabama we shall continue to utilize all land possible in cotton, peanuts and other cash crops.

In 1943, Alabama farmers received about \$175,000,000 from the $2\frac{1}{2}$ million acres planted to cotton, peanuts, and other cash crops. The remaining more than 7,000,000 acres produced only about \$70,000,000 worth of livestock and livestock products. Making available research information should enable us to increase greatly the income from this 7 million acres.