ECONOMIC INFORMATION REPORT R 70-1 APRIL 1970

FARM POLICY for the 70's

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Foreword

Congress is now considering new legislation that will extend and modify the major price and income programs for U. S. agriculture. This legislation may establish the pattern for farm programs over the next decade. As Congress moves toward passage of a new farm bill, its deliberations are being followed closely by those who have a stake in the programs that are finally approved. Farmers and other rural residents, suppliers of farm imputs and agricultural credit, processors and handlers of farm products, taxpayers and consumers, and a host of other groups will be affected by the course that is charted for future agricultural commodity programs.

It would be unfortunate, however, if the attention currently being given to farm commodity legislation were to divert the attention of farmers and others entirely away from the many other issues of public policy that are important to the future of the farm industry and to the well-being of rural residents. Our ability to deal effectively with the problem of excess capacity in the farm industry depends heavily upon economic conditions and public programs outside of agriculture. The sharp adjustments that have been made in the size of the agricultural labor force and which will continue in the future are affected significantly by our success in achieving continued national economic growth and maintaining a relatively high level of employment in the national economy. In addition, commercial farmers are increasingly affected through the market for manufactured farm inputs by our ability to maintain reasonably stable prices in the nation. In recent years, inflation has added substantially to the cost of producing farm products, thereby eroding potential gains in farm income.

Aside from the importance of general economic policy to the solution of the problems of commercial agriculture, it should also be clear that, whatever measure of success we have in gaining increased earnings for farm producers, many of the problems confronting the non-metropolitan communities of the nation must be attacked via other means. Efforts to improve the well-being of rural residents must include attention to many kinds of public and private programs. To a very large extent, the economic outlook for persons now employed in rural areas and for children growing up on farms and in small towns depends upon public policies and programs related to employment, monetary and fiscal affairs, education and job training, and health and welfare services. These matters are of significant concern to both commercial farmers and other residents of rural America.

FARM POLICY FOR THE 70's

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Our present agricultural price-support and production-adjustment programs for major farm commodities expire with the 1970 crop. These programs were authorized for 1965-69 by the Food and Agriculture Act of 1965 and extended to 1970 by legislation passed in 1968. With the end of the 1965 Act rapidly approaching, a clearer picture is now emerging of some of the major issues to be confronted as Congress develops agricultural policies for the decade ahead. The purpose of this article is to assess the results of recent farm programs and to examine the economic and political setting in which agricultural policy for the 70's will be decided.

Present programs have evolved over several decades of experience in attempting to achieve a more satisfactory solution to the nation's farm problems. Since abrupt shifts in agricultural policy are uncommon in formulation of U.S. farm programs, we can gain some insight into the direction that future farm policy may take by looking at the results of past programs.

Farm Programs in the 1950's

U.S. farmers entered the decade of the 1950's following a period of prosperity brought on by the high demand for food during and immediately following World War II. But problems of adjusting to a peacetime economy were soon felt. Farm prices dipped in the late 1940's as a result of a mild business recession, a decline

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in export demand, and an increase in farm output. Farm income dropped sharply in 1949, and the Commodity Credit Corporation (CCC) began to accumulate surpluses just as it had done in the late 1930's. But, the outbreak of the Korean War in June of 1950 caused a sharp increase in the demand for farm products and enabled the CCC to work down its commodity holdings.

Demand declined with the end of the Korean War in 1953 and, with farm output reaching record levels, prices again turned down. With price support levels for some major farm commodities still set by law at not less than 90 percent of parity, the need for changes in programs became evident. CCC stocks increased sharply. The government acquired stocks equal to about 6 percent of total farm output in 1952 and 11 percent in 1953. By 1956, CCC price-support inventories and loans were valued at nearly $8 billion.

A major weakness of the acreage allotment and marketing quota programs of the early 50's was that the use of land diverted from controlled crops was not restricted. Consequently, while the acreage of the four major allotment crops was reduced by nearly 29 million acres from 1953 to 1955, the acreage of other field crops (mostly feed grains) rose by 27 million acres. Thus, total farm output was not reduced. As surpluses mounted and farm prices and incomes continued to fall, the Eisenhower Administration stepped up efforts to dispose of surplus stocks abroad and to take land out of production.

The most important action to dispose of surpluses was the passage in July 1954 of the Agricultural Trade Development and Assistance Act, better known as Public

Law 480. This law authorized the sale of farm commodities for foreign currency, commodity gifts for relief purposes, and the barter of farm products in exchange for strategic materials needed by the U.S. In its first four years of operation, the P.L. 480 program accounted for 27 percent of total U.S. farm exports. Though declining, compared to commercial sales, it continues to be an important vehicle for farm exports.

Congress turned to a general land retirement program in 1956 - the Soil Bank program. It included provisions for the withdrawal of land from the production of allotment crops on a year-to-year basis and also the longer term retirement of farm land via rental agreements. Both parts of the program were voluntary, with land owners receiving payments for keeping land out of production. The acreage reserve feature of the program undoubtedly helped to control output, but it was regarded by many as too costly. It was dropped after 1958. The longer-term conservation reserve feature also helped check farm output; in July 1960 almost 29 million acres were included in the program. But there was criticism of the conservation reserve because of its adverse effects on communities where large acreages were placed in the program.

Farm Programs in the 1960's

The Kennedy Administration took office in 1961 with three major objectives for agricultural policy: (1) to eliminate surplus stocks of agricultural commodities, (2) to reduce budget expenditures for farm programs, and (3) to raise farm income. Secretary of Agriculture Freeman and his advisors felt that these objectives could be achieved only if farmers could be persuaded to accept tighter governmental controls on farm output as a means of protecting farm income while avoiding a further build-up of surpluses. The Administration's "supply management" proposals were supported by both the National Farmers Union and the National Grange, along with liberals who wanted to free federal funds for other uses. Opposition to the plan came from the American Farm Bureau Federation. Many farm-related businesses whose sales volume would be curtailed by a tightening of production controls also opposed supply management.

The new administration was immediately faced with obtaining legislation for the 1961 crop season. An emergency feed grain program was passed in March 1961 to reduce corn and grain sorghum acreage. This program and a similar program to reduce wheat acreage were later extended to the 1962 crops. Under these programs, producers were required to reduce crop acreage in order to qualify for price supports and receive government payments for diverting land from production.

Along with the 1961 emergency legislation, the Administration also proposed a program with effective supply management provisions but was not successful in getting Congressional action in that year. The Administration finally succeeded in getting major changes in farm programs when Congress passed the Food and Agriculture Act of 1962. The most controversial and bitterly contested feature of the law was the new wheat program which abolished the 55 million acre minimum national allotment, brought growers with less than 15 acres into the program, and instituted a multiple-price system of supports with mandatory controls on output. However, the Administration's victory in getting new wheat legislation was short-lived. Wheat growers went to the polls in record numbers in the producer referendum held in May of 1963 and overwhelmingly rejected the farm program of the Kennedy Administration. This defeat snuffed out any hope that the Administration had for moving toward more control of farm output under mandatory production controls.

In 1964, President Johnson inherited a farm policy that was in trouble. Carryovers of wheat and feed grains had been reduced slightly from the extremely high levels of 1961 but were still excessive; and the carryover of cotton had soared. The Johnson Administration placed the need for agricultural legislation high on its list of priorities in 1964, with particular emphasis on wheat and cotton stocks that were reaching crisis proportions.

Legislation approved in 1964 established a voluntary wheat program using marketing certificates. Wheat growers who complied with acreage allotment and cut back wheat acreage were eligible for price supports and land diversion payments. The loan rate for wheat was dropped to $1.30 per bushel, thus permitting the market price to decline to competitive levels in world markets and also permitting the use of wheat for feed.

To supplement market prices, those who complied with the provisions of the new program received negotiable certificates worth $.70 per bushel on their pro rata share of the domestic market volume and $.25 per bushel for their share of wheat exports.

The cotton program also was altered by legislation passed in 1964, but very few were happy with the program that finally emerged. Carryover of cotton continued to climb; it was generally agreed that additional changes would have to be made in the program.

The Food and Agriculture Act of 1965 made no sharp changes in farm programs; rather, it reinforced the direction of agricultural policy that had been emerging over the previous years. This policy has involved several developments that may be continued into the 1970's: (1) The Secretary of Agriculture has been given considerable discretion in setting price support levels and acreage requirements. (2) Price supports for most commodities have been reduced or modified to permit lower market prices. This has helped reduce the price incentives leading to increased output and the need for export subsidies to move U.S. farm products in world trade. (3) Direct payment to farmers has become increasingly important for supplementing farmers' income and of securing voluntary reduction of crop acreage. By 1968 government payments to farmers and owners of farm land had risen to almost $3.5 billion annually from about $700,000 in 1960. (4) Land diversion and retirement programs have been continued as the major means of holding back farm output. (5) In some instances, efforts have been made to shift a part of the cost of farm programs to U.S. consumers, such as through the use of processor certificates on domestic milling wheat.

Commodity Programs Under The 1965 Act [1/]

Feed Grains

The 1965 Food and Agriculture Act gave the Secretary of Agriculture considerable discretionary power to operate the feed grain program either as an incentive to expand output or as a brake to reduce output. To some extent, each of these goals was pursued between 1966 and 1969.

The essential features of the feed grain program are as follows: (1) farmers who agree to participate in the program must idle a given portion of their historically-determined feed grain acreage allotment, and in addition, comply with certain other acreage bases applied to their whole farm; (2) in return, participating farmers are eligible for price support loans on the feed grains produced on acreage they are permitted to plant and for price support payments which are based on some portion of the normal output on the permitted acreage; and (3) participants are also eligible for diversion payments for additional land voluntarily diverted from production above the minimum required to qualify for price support payments.

In 1968, for example, participating corn farmers idled at least 20 percent of their corn acreage allotment. They were then eligible for price support loans of $1.05 per bushel on all actual production. They received no diversion payments on the idled 20 percent but did receive a $.30 per bushel direct support payment on the normal (or average) production of half of the permitted acreage. Normal or average production was calculated from the 1962-66 average yields, adjusted for trend. In 1968, additional voluntary diversion (beyond the 20 percent required for minimum participation in the program) was eligible for diversion payments.

A voluntary program of this type is expensive since farmers must be economically induced to participate with no direct penalities for non-participants. Non-participating farmers are not eligible for price support loans or direct payments but are free to produce as much as they please, taking their chances on the open market or feeding the

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1/ An analysis of the Food and Agricultural Act of 1965 and its implications for Minnesota farmers was published in Minnesota Farm Business Notes, Special - 1965, Institute of Agriculture, University of Minnesota, St. Paul, Minnesota 55101.

grains to their own livestock.

The annual feed grains programs applied to corn and grain sorghum were roughly similar for the years 1966 to 1969 with the exception of 1967. As the 1967 program was being formulated, a world-wide shortage of grains seemed likely, and market prices were rising. Consequently, the 1967 program was adjusted to make minimum levels of participation most attractive. All diversion payments, except for very small farms, were eliminated and the price support loan rate was increased from $1.00 to $1.05 per bushel on corn and $1.52 to $1.61 per hundredweight on grain sorghums. The objective apparently was to secure an increase in feed grain production and yet to maintain a high rate of participation in the program.

Participation in the 1967 program dropped slightly--from 44 percent of all feed grain farmers in 1966 to 43 percent in 1967. However, the acreage actually diverted from production fell by a comparatively greater amount--from 35 million acres in 1966 to 20 million acres in 1967. This decline represented a drop from 26 percent to 17 percent of the national feed grain acreage eligible for diversion. The extreme shortage of food and feed grains feared earlier did not develop because of good harvests in both the developed and less-developed nations. As U.S. feed grain production expanded nearly 12 percent, market prices fell more than 16 percent.

In the 1968 and 1969 feed grain programs, diversion beyond the minimum 20 percent again was eligible for payment and the loan rate was held at $1.05 for corn and $1.61 per cwt. for grain sorghum. Voluntary participation jumped markedly. About 47 percent of all eligible feed grain farmers signed up in 1968 and 49 percent in 1969. These growers diverted 32 million acres in 1968 and slightly under 40 million acres in 1969. (About 5 million acres of the latter figure is due to the inclusion of barley in the 1969 program.) This resurgence of program participation boosted diversion from 17 percent of eligible acreage in 1967 to 29 percent in 1968 and to 31 percent in 1969.

The voluntary feed grain programs under the 1965 Act and the annual "emergency" programs used in the early 1960's, together with growing markets at home and abroad, resulted in a steady decrease in government feed grain stocks--from the record 75 million tons in 1961 to 18 million tons in early 1967. The large increase in production in 1967 and 1968 compared to utilization pushed government stocks to 32 million tons in 1968 and to 44 million tons in early 1969.

The voluntary feed grain programs have been generally successful in restraining production and reducing government stocks over the last seven or eight years. They have been relatively costly; with their focus on acreage adjustments, their effectiveness continually eroded as technological advance pushed average yields higher and higher.

Wheat

Beginning with the voluntary wheat program in 1965 and continuing with the provisions of the 1965 Act, the wheat economy of the U.S. has moved into a two-price marketing scheme: a higher price for domestic users of wheat, and a lower price for wheat produced and utilized in excess of domestic requirements.

As with feed grains, the 1965 Act gave the Secretary of Agriculture much flexibility to operate the wheat program to either expand or contract output.

Both goals were pursued during the life of the 1965 Act. Wheat farmers who participate in the program are entitled to price support loans on their wheat output at a rate roughly equivalent to the price at which wheat is competitive in feed grain markets, about \$1.25 per bushel. In addition, participants receive certificate payments on about 43 percent of their acreage allotments. These certificates, worth \$1.52 per bushel in 1969, are financed by an assessment of \$.75 per bushel on domestic processors of wheat for food with the remainder coming from the Federal Treasury. In return for these benefits, the participant is required to remain within his historically-established wheat acreage allotment adjusted for changes in the overall national allotment. Payments for additional voluntary diversions of acreage were available in 1966 and 1969. Farmers who choose not to participate receive no certificates and are not eligible for loans on their wheat but they are not required to restrict acreage.

Because participants have received an average \$.40 to \$.60 more per bushel than the open market prices available to non-participants, around 85 percent of the wheat allotment acreage has been signed up for the program each year since 1965. As with feed grains, the wheat programs together with growing overseas shipments helped to reduce stocks from record levels in the early 1960's to modest levels in the 1966-67 period. However, the drought-induced food shortages in India and elsewhere in 1966 sent food grain prices soaring and touched off world-wide fears of a severe grain shortage and potential widespread famines. In response to these developments, and in light of the rather low wheat carryover into 1967

(425 million bushels in 1967 compared with average carryovers of 1,229 million bushels in the 1960-64 period) the national wheat allotment was increased from 52 million acres in 1966 to 68 million acres in 1967. In addition, diversion payments were abandoned, and no mandatory diversion for participants was required. As a result of these measures, production jumped over 16 percent while utilization remained virtually constant.

Improved food grain harvests around the world have eased the international food supply situation and wheat surpluses are again building in the United States. Increases in wheat stocks occurred in 1967, 1968, and 1969. In the announced wheat program for 1970, the last permitted under the extended 1965 Act, the Secretary of Agriculture has reduced the national acreage allotment by 12 percent. Diversion payments, reinstated in 1969, are continued in 1970 to encourage additional idling of wheat acreage below allotments. Although reasonably successful in reducing stocks of wheat up to 1967, the wheat program has been expensive since farmers must be induced to participate voluntarily. With its emphasis on acreage adjustments, the program's effectiveness is continually being eroded by higher and higher yields.

Soybeans

The 1965 Act contained no specific program changes for soybeans. The traditional price support loan and storage mechanism with no acreage controls or marketing restrictions was continued. However, a number of factors occurring since 1965 have combined to place soybeans in a surplus position. Stocks are accumulating and prices are resting on or near support levels. First, and probably most important, was the increase in the average price support rate from $2.25 to

$2.50 per bushel for the 1966, 1967, and 1968 crop years. This decision was made during early 1966 when prices were high and a world-wide shortage of food and feed grains seemed likely. With record crops occurring in most of the world during 1967 and 1968, together with a modest slackening in demand growth for soybean products at home and abroad, the large soybean crops produced under the higher support rate began to flow increasingly into price support loan stocks. Adding to the tendency for overproduction in soybeans was the continued downward pressure on feed grain and cotton acreage being exerted by voluntary programs for these commodities. Under the 1965 Act, resources other than voluntarily diverted allotment acreage were free to move into soybean production at the attractive $2.50 support rate. At the same time, the $2.50 price support was pegging the market price at a level that impeded full utilization of the crop. Stocks grew from 30 million bushels at the beginning of the 1966 crop year to 320 million bushels at the start of the 1969 crop year. In 1969, the support rate was lowered to $2.25. Although the lower support rate has stimulated exports, the post World War II glamour of soybeans in the nation's farm income picture has been tarnished.

Cotton

Producers are required to stay within their allotments in order to participate in the cotton program. They are then eligible for a loan rate at a specified level, a price support payment on a specified percentage of projected yield on the farm allotment, and possibly a diversion payment for projected yields on the diverted acreage. However, in recent years there has been no diversion provision in the cotton program. The 1965 cotton program resulted from the need to do something about the growing cotton surplus. The August 1, 1965 carryover was 14.3 million bales and reached a record high of 16.5 million bales on August 1, 1966.

The situation has improved in some respects since 1965. Domestic processors and users of cotton are able to purchase domestic cotton at prices more in line with world prices. In addition, cotton production has declined considerably since 1965. It was about 15 million bales in each of the three years 1964 to 1966. It fell to half that level in 1967, but, in 1968 and 1969 hovered around 10 to 11 million bales. Production in 1969 was about 80 percent of the 1964-66 level. In an effort to stimulate cotton production, the national cotton allotment was increased to 17 million bales.

Production of substitute fibers shows no abatement. In 1965 U.S. man-made fiber production was equal to 11,769 cotton bales. In 1968, it was equal to 17,112 cotton bales. Regardless of the program to make cotton more competitive, man-made fibers still experienced tremendous production growth. Even though the total market for fiber has grown, domestic use of cotton has remained static.

The import-export situation for cotton has exhibited no discernible trend. Imports are relatively low. Exports for 1967-68 were at the lowest level in 13 years, but exports have traditionally exhibited large variation. We continue to be a net exporter of cotton.

The cotton program appears to have had an impact on carryover. From the 16.5 million bales on August 1, 1966, carryover was 6.4 million bales on August 1, 1969.

The program under the 1965 Act has had little impact on the import-export picture for cotton equivalent in manufactured cotton goods. In 1960, we switched from a net exporting to a net importing country for these goods. In only one year since, have we been a net exporter. For the last three years we have been a net importer to the extent of more than 300 million pounds of cotton annually.

Cotton programs probably have been criticized more than any other commodity program. It has been charged that the cotton programs have hastened, if not caused, loss of markets both at home and abroad. The program under the 1965 Act is expensive; its benefits have gone heavily to the larger growers. For example: when the total of producer payments (net loans made by CCC, Public Law 480 costs, carrying charges and administrative costs) for cotton are considered, the cost of these items is greater than the market value of the crop.

Much of the impetus for a limitation of payments to farmers under the commodity programs stems from the cotton program. Of the slightly over 10 million producers receiving government payments totaling $20,000 or more in 1968, slightly over one-half received payments under the cotton program. Yet cotton producers accounted for less than one-fifth of the 2.5 million participating farmers.

Dairy

The 1965 Food and Agricultural Act made no change in the method of determining price support levels for milk, or in supporting milk prices. These matters are provided for by legislation passed in 1949. However, it did provide: (1) for the use of a Class 1 base program in federal order milk markets; (2) for the use of federal orders in manufacturing milk producing areas; and (3) the Secretary of Agriculture with authority to purchase dairy products in the commercial market for domestic relief, foreign distribution, and other programs when CCC stocks were insufficient to meet these needs.

The Class 1 base authorization under the 1965 Act has been used to only a limited extent. A Class 1 base program has been implemented in the Puget Sound federal order, but a proposal for a Class 1 base program has been recently turned down in the Florida order. Under this provision, the Class 1 sales of a market are allocated to existing producers. Thus, a producer is paid for a specified Class 1 usage regardless of the market utilization. Procedures have been set up to permit new producers to obtain a Class 1 base.

The 1965 Act authorized extension of the federal order program to manufacturing milk producing areas, But this program has not been utilized, and there does not appear to be much interest in using this authority.

The authorization to purchase dairy products in the commercial market at market prices when CCC stocks are insufficient for government programs has been used for processed cheddar and American cheese. Stocks of butter and nonfat dry milk from price support purchases have been sufficient to meet all U.S. government commitments.

Although no change was made in 1965 in the method of determining the milk price support level, the milk price situation has improved dramatically since that time. Import quotas have played an important role in this development in view of increased world supplies of dairy products. The average U.S. price for all milk was $4.23 per cwt. in 1965. The average 1969 figure was $5.45 per cwt.--a record high. Manufacturing grade milk prices averaged $3.34 per cwt. in 1965 and $4.46 per cwt. in 1969--a 33 percent increase. Support prices for manufacturing milk were increased during this period, but they tended to follow rather than precede market price increases.

The cause of the milk price increase is largely a supply phenomenon. U.S. milk production reached a record 127 billion pounds in 1964 and has fallen continually since. U.S. production in 1969 is projected to be around 116 billion pounds. A reversal of the downward trend in production is not expected in the next few years.

The effect of the price increase on producer income is moderated to some extent by rising input costs, but not all gains have been dissipated in this manner. For example, in 1968 feed costs were lower compared to milk prices than in 1965, but the price of cows was higher. Apparently better milk prices were capitalized into higher cow costs. The net effect for most dairymen is an increase in net income. The USDA report on Costs and Returns on Commercial Dairy Farms reports that net returns to operators for labor and capital more than doubled from 1965 to 1968. This, of course, represented not only price increases but also continuing farm adjustment. Strong support for greatly changing the present dairy program would be difficult to develop.

One serious consideration for change is the authority to lower the mandatory support level for the milkfat component of milk, as long as the price of milk is above the mandatory level. The law now specifies that both milk and milkfat have to be supported at a minimum of 75 percent of parity. The April 1968 price support increase was achieved by raising only the purchase price for nonfat dry milk and cheese to avoid an increase in the price of butter. But, the price of fat in farm separated cream must be kept at least at 75 percent of parity. In fact, subsequent to the 1968 increase in milk price support to $4.28 and the 1969 extension of this support level, the purchase price for butter had to be raised by 1 1/4 cents per pound to keep fat in farm separated cream at 75 percent of parity.

Wool

The formula by which the farm support price for wool is computed was adjusted slightly in the 1965 Act. The result was an overall increase in wool support prices available to U.S. producers. In spite of this increase, the national output of wool continued its long downward trend from 225 million pounds of raw wool in 1965 to 198 million pounds in 1968. The difference between the domestic utilization of apparel wool and the decreasing domestic output is being taken up by imports from Australia, New Zealand, South Africa and Latin America.

Cropland Adjustment Program (CAP)

As spelled out in the 1965 Act, the CAP is a long-term land retirement scheme designed to withdraw crop acreage from production for periods of five to ten years. It resembles, in some ways, the old Soil Bank Conservation Reserve program of the 50's. Because cropland base acres are removed from production for extended periods, lower annual payment rates than for annual voluntary commodity programs are specified in the CAP. Additional supplemental payments are authorized for offsetting the landowner's costs of planting and holding the diverted acreage in conserving uses, for maintaining access to the land for sportsmen, and for bringing land into various recreational uses. The CAP also contains provisions for a land acquisition program called Greenspan, under which local governments are assisted in obtaining farm land for public recreational and conservation purposes such as parks, wildlife refuges, and open spaces.

The CAP was largely experimental during the life of the 1965 Act since only about $225 million was spent in the 1966-69 period. Moreover, no new agreements for additional land were authorized in either 1968 or 1969 because Congress did not appropriate funds for program expansion. A total of slightly over 4 million acres of cropland were signed up in 1966 and 1967, of which about 16,000 acres were under the Greenspan project. For comparison, this 4 million acres is only about 2 percent as large as the combined 1969 national wheat allotment and feed grain base.

The American Farm Bureau Federation has advocated a large scale program of long-term land retirement. The Administration also seems to be interested in a program along these lines. It would appear that through CAP the authority for such a program already exists. What is lacking is the necessary funding by the Congress.

The Political Setting for Agricultural Legislation in 1970

The decline in the relative size of the farm population signals changes in farm politics which have yet to make their full impact felt. A significant shift has already occurred, however, in the number of U.S. Representatives from rural-farm districts. Congessional Quarterly [2] recently published a list of Congressional districts compiled by the American Farm Bureau Federation, which contain 25 percent or more farm population. The total number of districts identified as "rural-farm" using this criterion was only 31. The East contained none; the West, 1; the South, 14; and the Midwest, 16. Iowa, North Dakota, and Wisconsin from the Midwest group are

[2] Congressional Quarterly, June 27, 1969, p. 1137.

projected to lose a Congressional seat after the 1970 census. Many other states will also have to redistrict in accordance with judicial standards. Consequently, after redistricting, there will be even fewer "rural-farm" districts and a further dilution of the farm vote.

Most House members come from districts which contain no farmers or very few farmers; thus, farm legislation is not one of their priority concerns. Agricultural legislation and appropriations bills have encountered increasing opposition in the House in recent years. Members of the House Agriculture Committee are aware that Committee bills unacceptable to urban House members can either fail to pass or be substantially amended on the House floor. Committee concern over this situation is reflected in the deliberate pace in drafting major legislation, in the compromises made in Committee, and in the attempt to link farm legislation with food stamp legislation.

Smaller numbers of House members representing farm districts is not the whole story, however. An offsetting factor is that most "safe" seats in both the House and Senate are found in rural areas, particularly in the South. "Safe seats" lead to long incumbencies, seniority on committees, and powerful committee chairmanships. Many committee chairmen are Southern Democrats sympathetic to agricultural problems.

Another factor which still makes the farm vote a force to be reckoned with, is its demonstrated turnout variability and its volatility in certain states. Where elections are won and lost by very small margins, Senate and Presidential candidates cannot afford to ignore the farm vote even if it comprises as little as 5 percent of the total. In part, this situation helps to explain why farm programs and agricultural appropriations typically encounter less opposition in the Senate than in the House. Most Senators still do have farm voters in their constituencies.

The 91st Congress

Both the Senate and the House are controlled by the Democratic Party. As the Second Session convened in 1970, the Senate stood at 57 Democrats to 43 Republicans while the House was split 245 Democrats to 187 Republicans with 3 vacancies. Although the numbers give the Democrats control of the important leadership posts and committee chairmanships in both houses, numbers cannot necessarily be used to predict voting patterns on farm bills. While most Republicans may be expected to follow Administration policy, the Democratic Congressional leadership may encounter considerable disunity in party ranks when farm legislation is considered.

The Agriculture Committees

The Senate Agriculture and Forestry Committee is dominated by Southern Democrats who possess a great deal of seniority. These committee members command power and influence with their fellow Senators, by virtue of their experience and ability and because of their positions on other important Senate committees. The Senate Agriculture and Forestry Committee is small - 7 Democrats and 6 Republicans - but it includes the second and third ranking Democrats in the whole Senate and the first and second ranking Republicans. Of the 7 Democrats, all but one are conservatives from Southern states. Senator McGovern (Democrat-South Dakota) is the exception, both in terms of geography and philosophy.

Republicans serving on this Committee are also usually thought of as conservative in outlook with the possible exception of Senator Aiken (Republican-Vermont), ranking minority member. The Midwest is represented on the minority side with members from North Dakota, Iowa, Nebraska, and Kansas.

Nine of the 13 members of this committee were serving on it in 1965 when the present Food and Agriculture Act was passed. All of the Democrats, except one, were members as were the three ranking Republicans now serving. A number of younger Senators, usually classified as among the liberals and from outside of the South, have left the Committee over the past several sessions. Their departure left the Committee with a strong cotton-tobacco-livestock commodity orientation, substantially more conservative in outlook with diminished concern for urban problems and with fewer Democratic members who consistently support the policies of the Senate Democratic leadership. It is likely that most members of this committee want price and income programs favorable to producers and support voluntary production controls for this purpose. They should not have great difficulty in reporting farm legislation acceptable to a majority of their fellow Senators.

The House Agriculture Committee is made up of 34 members - 19 Democrats and 15 Republicans. Just as Senate Agriculture Committee members tend to come from the more rural states, House Committee members tend to come from some of the more rural congressional districts. Agricultural matters are of great importance in these districts; and, in many cases, one or two crops are predominant. House members usually have only one or two committee assignments so that they do not wield as much influence outside their committees as their Senate counterparts. Although a number of states are represented on the Committee, it also is dominated by members from the South and Southwest where cotton, tobacco, livestock and feed grains are major crops. The Committee chairmanship is held by W. R. Poage (Democrat-Texas), and all of the commodity subcommittee chairmanships are held by Southerners. Based on Census regions, Committee membership is divided geographically as follows: South, 17; West, 6; North Central, 7; and Northeast, 4. Minnesota is represented on this committee by John Zwach (Republican-Sixth District). Representative Zwach serves on the Subcommittee on Livestock and Feed Grain and the Subcommittee on Dairy and Poultry.

Another center of power in the House is the Agricultural Appropriations Subcommittee which must appropriate funds for the U.S.D.A. and the price support and income programs. Jamie Whitten (Democrat-Mississipppi), who chairs this subcommittee, is highly knowledgeable about all phases of agricultural programs. He tends to dominate the appropriations review process and his wishes and special interests (such as the cotton and ACP programs) cannot be ignored in the formulation of programs and budgets. Minnesota's representative on the Agricultural Appropriations Subcommittee is Odin Langen (Republican-Seventh District).

The Administration

Neither the Republican Party platform nor the political campaign bound the President to a particular course of action in agricultural matters. The platform pledged farm policies and programs to enable producers to receive fair prices compared to prices they pay; it mentioned reorganizing the marketings of the Commodity Credit Corporation (which the Johnson Administration had been accused of manipulating to hold down food prices); it recognized as a goal the revitalization of rural America, and promised attempts to achieve a more direct voice for the farmer.

Since his inauguration, President Nixon has moved slowly in prodding the Congress. On October 13, 1969, he called for action on 12 reform measures on which he placed high priority. Agricultural programs were not on this list, although, the elimination of malnutrition and hunger was emphasized in the 20 or so additional items he mentioned. Administration proposals on the Food Stamp Program were developed in greater detail and sent to the Congress much earlier than was the case with the farm program.

In considering the Administration's perspective of farm programs, it must be noted that President Nixon's major preoccupations are Viet Nam, inflation, environmental quality, and urban affairs. Futhermore, he is operating in a situation in which both Houses of the Congress are controlled by the opposition party. A Republican President facing a Democratically-controlled Congress is aware of the great difficulty of securing major changes in agricultural programs without the support or at least acquiescence of key Congessional leadership. On the other hand, the Committee leadership is also aware that without the support or acquiescence of the President, their efforts can be blocked either by Presidential pressure on Republican Congressmen whose support is needed to offset urban Democratic defections, or ultimately, by a Presidential veto. Some analysts viewed the choice of Agricultural Secretary, Clifford Hardin, a man without a strong "political" identification, as an indication that President Nixon did not contemplate or seek major changes in farm legislation. The Hardin proposals put forth thus far lend credence to the notion that an accommodation is being sought which will take the form of amendments and changes in existing programs. The position of a coalition of farm groups expressing the desire to see a continuation of present programs with some modification may have contributed to the Administration viewpoint also.

The Growing Influence of Consumers and Other Special Interest Groups

Consumers have become increasingly vocal on the subject of food prices. Increasingly pressured by inflation, American housewives do not always agree that food is a bargain. There have been strong reactions to rising prices, particularly of meat items, at the neighborhood grocery. Direct daily experiences with food prices coupled with the adverse publicity given to large farm program payments have contributed to expressions of dissatisfaction on the part of housewives. The President and the Congress cannot be unaware of the fact that the potential female electorate now outnumbers the male electorate - at least one would not think so judging from recent activities with regard to consumer concerns. It would seem highly unlikely that there would be much support for any farm program which either greatly increased consumer food costs or contributed to instability of food prices.

The comparatively recent widespread recognition that hunger and malnutrition exist in America has not worked to the credit of agriculture. In part this is because the Agriculture Committees and the U.S.D.A. have had jurisdiction over food stamp and other food aid legislation and have been reluctant to broaden and expand these programs as rapidly as some people would have liked. Nutrition groups, poor people's groups, school administrators, medical people, church groups, and others are among those pushing hard for expanded food distribution programs for low income households. Although perhaps not interested in farm programs, per se, these groups are very much concerned with the activities of the agricultural committees as they affect food policy - especially the distribution and pricing aspects.

Other groups or interests that have an economic stake in the formation of agricultural policies and programs include food and fiber processors, storage and transportation interests, the wholesale and retail sectors, manufacturers and suppliers of farm inputs, conservation and recreation groups, main street businessmen in rural communities, investors in farm real estate, credit institutions, educational institutions, those who administer farm programs and others. Obviously, the views and policies adopted by these interests or groups are not always in agreement with each other--or with those views held by farm producers.

New Farm Legislation - Positions and Issues

Each farm organization has had an opportunity to present its views on new farm legislation before the House and Senate committees. Two major positions have emerged. One of these is held by the American Farm Bureau Federation and the other by a coalition of nearly all other general farm and commodity organizations. The following are the features of these two points of view as well as the position taken by the Administration.

The American Farm Bureau Federation Position

The proposal of the American Farm Bureau Federation reflects the long time desire of that organization for substantially less direct interference with market mechanisms than we have had for a considerable period of time. Its proposal represents a clear shift in that direction but at the same time also recognizes that excess capacity does exist in American agriculture. The Farm Bureau would therefore use a land retirement program as an alternative to the present system of production controls. The major features of the Farm Bureau proposal were embodied in a bill introduced by Congressman Findley (Republican - Illinois). This bill would phase out all annual acreage controls, marketing quotas, processing taxes, and direct payments for wheat, feed grains and cotton over a five-year period, and reduce by 20 percent each year for five years the amount spent by government for wheat, feed grain and cotton programs.

Agricultural output would be restrained through the removal from production of 10 million acres of land per year from 1971 to 1975, using a competitive bid basis and emphasizing whole farms. But in addition, the price of cotton, wheat, feed grains and soybeans would be supported at 85 percent of the previous three-year market average.

The Farm Bureau has also advocated a program that is a break with the traditional commodity programs. It is a special assistance program for low-income farmers to be implemented outside of the marketing system. Under this program, low-income farmers would receive compensation for relinquished acreage allotments to encourage them to move into more gainful employment. In addition, there would be retraining grants as well as adjustment assistance and loans to help them to prepare for and find other employment.

The Coalition Position

The coalition is made up of both general and commodity organizations. The present coalition grew out of an earlier coalition which was formed to support the International Grains Arrangement and the establishment of a strategic commodity reserve.

The goal of the present coalition is to preserve the present commodity and income programs. It is in opposition to a massive land retirement program as a basic production control mechanism such as has been advocated by the American Farm Bureau Federation. Even though each coalition member has its own notions of desirable policies and program measures, each organization is submerging its own preferences in favor of the coalition position.

The major legislative features desired by the coalition group are contained in a bill introduced by Congressman Purcell (Democrat-Texas). For the most part, these provisions are supplements to or changes in the 1965 Act which would be extended for an indefinite period of time. The changes that would be implemented under the Purcell Bill apply mainly to commodity programs. For dairy, the bill authorizes an advertising and promotion check-off under federal milk orders, and loosening of Class I base plan regulations, where they are in effect, to permit easier access to fluid markets for new producers. For corn, the price received by the farmers would be supported at 90 percent of parity including direct payments. The loan rate would be not less than $1.15 per bushel. Other feed grains would be supported in relation to corn.

The wheat provisions of the coalition bill provide for a price of 100 percent of parity on domestic wheat certificate production, while wheat with export certificates would be supported at 65 to 90 percent of parity. Wheat not accompanied by marketing certificates would be supported at $1.25 per bushel. In addition, for cooperators, there would be a special export payment of $.65 per bushel on not less than 40 percent of the normal production of wheat grown on allotment acres. Advance wheat payments would be provided. The bill also provides for a 5 percent limit on the amount that "normal" yield may be reduced in a year when yields fall because of natural disaster. The bill also provides for a commodity reserve and extends marketing orders to additional commodities.

Thus the bill supported by the coalition is one which extends the 1965 Act. In addition, it would greatly increase the government's role in the soybean economy. It includes provisions which would result in significant price boosts to producers of most commodities. Wheat growers, particularly, would receive a substantial boost through an export subsidy. The effect of these changes would be substantially higher program costs.

Many organizations have gone on record in support of the coalition position even though they have individual programs they support. For example, the National Farmers Union would prefer stronger production controls and increased bargaining power for farmers in addition to extending and strengthening existing programs. The NFU is strongly opposed to a massive land retirement program. The National Grange also urges the continuation of existing programs and has singled out higher support prices for wheat growers as a necessary desirable change. The National Grange supports the increased use of the Cropland Adjustment Program and has not ruled out land retirement programs as a replacement to the annual commodity program. The National Farmers Organization has expressed a preference for its Farmers Self Determination Farm Program under which, through a producer referendum, farmers would choose among various levels of price support and planted acres calculated to achieve the result. The NFO proposal would give farmers as a group a choice ranging from 60 to 90 percent of parity.

Various commodity organizations have also made their desires known in the matter of farm legislation. For example: the National Livestock Feeders Association supports the continuation of the 1965 Act coupled with land retirement programs. They indicate that land retirement should emphasize less productive land but that the amount of land retired in a county should not exceed a certain limit. They are strongly opposed to allowing retired acres to be used for beef production. The American National Cattlemen's Association has stated its opposition to land retirement if retired land is to be grazed. Other commodity groups have expressed similar views.

Various non-farm groups have taken positions and support various changes in agricultural legislation. The United States Chamber of Commerce, for example, supports a massive transfer of the least productive crop land in the nation to non-crop or non-farm uses. They would advocate a transitional program and provide special assistance to individuals and rural communities suffering from the impact of land use adjustment.

The Administration's Position

Secretary of Agriculture Hardin has placed the views of the Administration before the House Agriculture committee. So far, the Administration's approach has been one of offering alternatives rather than strongly backing a specific proposal. It has offered two main approaches that might be followed: the set-aside and the domestic allotment program. Most discussion of the Administration's position has focused on the set-aside proposal.

The set-aside plan would pay farmers to "set aside" or divert from production a portion of their wheat, cotton and feed grain acreage allotments just as the present programs. However, farmers having complied with the set-aside would be permitted to plant their remaining acres to any crop or combination of crops they desire. They would then be eligible for price support loans on their entire production. For example: a cooperating feed grain farmer would set aside acres equal to a certain proportion -- between 30 to 50 percent -- of his feed grain base acres in addition to his normal conserving base acres. He might divert additional acres to receive a diversion payment. He would then collect direct income support payments on the normal yield of one half of his feed grain base. He would be eligible for price support loans on his total production.

A cooperating wheat producer would be required to set aside from his farming operation acres equal to from 75 to 100 percent of his domestic allotment acres. His entire crop harvested would then be eligible for price support loan. Wheat certificate payments would be made on an amount of wheat equal the normal yield of his domestic allotment acres. Cotton producers would come under a program much like the wheat program.

Under the Administration's set-aside proposal, price supports would be for the purpose of providing credit to farmers and not as an important vehicle for maintaining farm income. This would be accomplished through the payments aspect of the program.

In addition to the set-aside and the domestic allotment program, the Administration has suggested that a program of acquiring production rights to particular crops, through an easement plan, be conducted on an experimental basis. The Administration has also advocated a loosening of Class I base plans authorized under federal orders to permit easier access to markets by new producers.

What's Ahead?

It was pointed out earlier that the 1965 Act was patterned after some of the programs developed in the early 1960's which departed significantly from the programs of the 1950's. Again, an issue among farm groups, particularly between the American Farm Bureau Federation and other farm organizations, is whether or not new legislation should continue in the general pattern set by the present program, or if some drastic departure should be followed. It would seem that new agricultural legislation might be expected to continue in the pattern set by the 1965 Act for the following reasons:

1. The proposals supported by the Administration so far have not been changes that alter the fundamental operating procedures of the 1965 Act, but rather have been in the nature of changes which modify present programs and which add flexibility from both the Administration and farmer point of view.
2. The passage of the 1965 Act was in part the personal handiwork of many of the present agricultural committee members. It would seem that at least these individuals might prefer to see new legislation follow existing directions rather than drastically departing from them.
3. A bill in the mold of the 1965 Act would seem to be a means of gaining a compromise between a Democratically-controlled Congress, which passed the 1965 Act, and a Republican Administration, which has offered changes but which retains the basic structure of existing legislation.

It seems therefore, that on the part of the farm groups and administrative and congressional leadership there is considerable unanimity of opinion as to the general nature of the legislation needed. The only important exception is the American Farm Bureau Federation.

It would seem, at this point, that the only serious obstacle to passing some kind of farm bill might come from the urban sector of the economy. Many representatives of the urban and industrial areas of the nation seem to be out of patience with agriculture. They tend to resent pumping additional money into what appears to be an insoluble problem while other high priority needs are inadequately funded.

It is likely that in 1970 our domestic farm programs will be subjected to some of the most vigorous scrutiny they have had in a long time. If the Congressional committee structure fails to conduct this kind of scrutiny, then it will possibly be conducted at the more general floor level of the House and Senate. The strategy of attempting to commingle food distribution policy and agricultural policy has been noted previously. Regardless of the success of this strategy, obtaining new farm legislation of the type desired by the majority of those interested in these matters would seem to hinge importantly on a few issues.

Payments Limits

In 1968, and again in 1969, Congress attempted to place a $20,000 ceiling on individual farm payments. This is a change in the farm program strongly desired not only by urban-based congressmen but also by many from rural areas.

There are indications that a majority of U.S. farmers also favor a limit on payments. It has been estimated that a payment ceiling of $20,000 per farm would affect only about 10,000 farmers or 1 percent of the one million or so commercial farmers in the United States. 3/ A limitation on direct payments of the magnitude generally discussed would affect principally cotton and sugar growers.

The limit on direct payments is viewed by many as being a means of achieving a partial redress among farmers of the inequitable distribution of program benefits and as a means of reducing the overall cost of agricultural programs. Urban representatives are likely to continue to work for some form of payment limitation

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3 / Other methods for limiting farm payments have been devised. Some of these would impose crop by crop limits. The Administration's plan for limiting payments would use a graduated scale and result in an effective ceiling of $110,000.

to be included in new agricultural legislation.

Underlying the payments limit issue is the question of the overall cost of agricultural programs. Agriculture has absorbed sizeable government expenditures with little apparent improvement. At the same time other critical needs are inadequately funded because of huge expenditures in other areas, particularly the war in Viet Nam. Even though urban representatives strongly desire a reduction in the cost of farm programs, they very likely also recognize that the possibility of quickly reducing costs by a significant amount is quite remote.

Program Flexibility

An issue that is of primary importance to those directly interested in agriculture, but with overtones extending to the non-agricultural sector of the economy, is the matter of maintaining or increasing flexibility in commodity program provisions. This is achieved by giving to the Secretary of Agriculture the authority to make, within certain limits, decisions on program dimensions such as level of price supports, rates of direct payment, acreage diversion required, and other program features.

Many farm groups and agricultural committee members strongly prefer that farm legislation be stated in fairly specific terms with a fairly narrow area in which administrative decisions may be made. However, rapid changes in all phases of agriculture render this type of legislation obsolete very quickly. The alternative is to increase the area in which administrative decisions may be made.

Under the 1965 Act the Secretary of Agriculture has considerably more discretionary authority under the feed grain program than is generally considered that he does, for example, under the cotton program. Will the area of administrative latitude be increased? Or will the lawmakers enact legislation with rigid formulas that narrowly prescribe how the programs shall be administered? This issue is closely tied to the debate over the method of setting supports. For example: The Livestock and Grains subcommittee of the House Agricultural Committee approved a wheat provision that would place a floor beneath wheat growers incomes by specifying the level at which the domestic wheat price as well as the average return to participating farmers would be supported. But the Administration disagreed with these provisions citing the difficult administrative problems. Committee efforts to produce a cotton program face similar difficulties.

Method of Setting Supports

An aspect of program flexibility is the basis to be used for setting price supports. On the one hand the coalition strongly advocates rigid price support formulas tied to the parity price concept. The American Farm Bureau Federation and the Administration, however, would completely break away from the use of parity and instead, for example, use 85 percent of the average of the three previous years' market price as the support level.

There are many questions on both sides of the issue that cannot be examined here. However, two comments seem to be appropriate on this issue. First, the use of an average of previous years' market price would be only a fairly small departure from the methods now used in setting supports for some commodities. For example, for corn -- if no acreage diversion program is in effect -- price support is to be made available at a level between 50 and 90 percent of the parity price that the Secretary determines would not result in increasing CCC stocks. 4 / If an acreage diversion program is in effect "the price support level for corn is to be set between 65 and 90 of the parity price determined by the Secretary to be necessary to carry out the feed grain acreage diversion program goals." 5 /Thus while parity is used to specify limits for corn supports, other criteria are used as a basis of determining the effective support level. In the case of wheat, not accompanied by domestic marketing certificates, the relationship to parity price is completely broken. Here support levels are based on competitive world prices, the feeding value of wheat in relation to feed grain and the price support levels for feed grains. For cotton, the loan rate is set "so that it does not exceed 90 percent of the estimated average world price...." 6 /

The second point to be noted is that the use of the previous three year average market price as a basis for setting supports would not necessarily mean a persistent decline in the loan level. The view that this would happen ignores the possibility that market prices may also rise above as well as fall below the support level. It neglects the effect of setting CCC sales prices some 15 or 20 percent above the loan rate. In addition, such a view seems to ignore the impact on market price that is introduced by production restraints inplemented through the commodity programs.

When will these and other issues be resolved and a new farm bill passed?

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4 / Farm Commodity and Related Programs, Agricultural Handbook No. 345 Agricultural and Stabilization and Conservation Service U.S.D.A. pp. 22-23

5 / ibid. pp 22

6 / ibid. pp 23

Chances seem to be very good that at best it will be summer before Congress gets down to serious work on a new farm law. Other pressing matters such as 1971 appropriations bills and welfare and draft reform will take precedence over agricultural matters. In addition, there is the matter of food programs for which time will be required to iron out the differences between the two houses. These factors point to late summer before a bill is passed. If so, this will introduce a large element of uncertainty for wheat producers who must make planting decisions for the new crop. However, for corn, soybean, and milk producers late passage would not likely be serious.