Choices for the Producer

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Surging new technology, flowing into agriculture at an accelerating pace, has put a heavy burden of adjustment on farmers "to cope." Some have more of a burden than others.

The question is: What can farmers do to get more control over these new forces—and the public policy relating to the inflow of new technology, the sharing of adjustments, and the benefits of the new forces?

Immediately, you wonder what the proper role of government in agriculture is in these times. That was less of a question during the depression. We were in a time of crisis. There was a general consensus that "something must be done." And it was. In a way, the present role of government—as demonstrated through various farm programs —is an outgrowth of those depression times with some adjustments for the World War II years.

It is extremely difficult to cut off ties with past farm programs and apply new techniques. We don't deal in terms of an ideal posture of government today. The practical and "attainable" leans toward the past, perhaps more than toward the future. Politicians lean that way, farmers lean that way, many studies by economists lean that way, human nature leans that way—and a new dimension, the government bureaucracy, leans that way.

Over the years, we got accustomed to certain farm price levels, yet with new technology these price levels were stimulative far above a full resource use level. We talked about keeping people "down on the farm," yet we knew that those who did leave, and those who remained, would be better off if more farmers did move into the more affluent off-farm economy. We talked about the necessity for maintaining certain farm commodity price levels, but we knew that among certain commodities this would hasten the market take-over rate by synthetics and would hand substantial parts of our export markets to foreign competitors. We sold farm programs on the basis of the need to help the small farmer—but we knew that the programs that we devised would help the large farmers far more than the small farmers. There are a few bonuses in farm programs for small farmers, but they are not substantial. In a way, while we were trying to soften the adjustment for small farmers, we were making their adjustment more harsh.

It is easy to say, if we didn't know all that in advance, that we weren't too bright about what we were doing. But often we were looking back at conditions as they were, instead of looking ahead as conditions probably would be in the future. And often we found ourselves trying to correct with new farm programs the mistakes that we had accumulated with past farm programs.

It is entirely fair to say that we have paid far too much attention to commodity adjustment in agriculture and far too little to "people adjustment." The pendulum of public concern and program implementation, we think, is now swinging toward "people adjustment."

We now need to focus, further, on where agriculture, in terms of its resources, should be in our total national economy—and in the world economy.

In these times, when it is fashionable and proper to talk about agricultural development in emerging "underfed" countries, we have fashioned in this "overfed" country of ours the best governmental agricultural development program in the world. It started with homesteading, low-priced land, immigration policies that brought in low-cost labor, railroad grants for transportation and the Land-Grant college system of research, teaching and extension.

Now our agribusiness industries, cooperatives, the ingenuity of farmers themselves, and the farm press are fueling our agricultural development more, and perhaps the public is fueling it less. Still, the combination is pressing our technology forward as if it is the second most important thing to getting to the moon.

Out of this, we strive for a progressive agriculture and a stable agriculture. The public wants a stable food supply and farmers deserve some of the stabilization that the rest of the economy has achieved by its organizations and rules, and through government.

At the moment, we lack stated goals regarding the economic structure of agriculture. That is, as a public we haven't laid down rules to preserve the family farm—but we haven't laid down rules to affect it greatly one way or the other.

Industry and People

Agriculture is two things: it is an industry and it is made up of people.

As an industry, agriculture is doing well. It is efficient, it is progressive, it is serving the nation well, it has come to the defense of the nation at critical times, it has fed large numbers of people around the world in difficult times, and it plays an important role in supplying many of the world's people with food in good times and bad.

It is the people in this agricultural industry who are having real problems.

Look at it this way: If American agriculture—all of it—were owned by one person, we would consider him to be a whale of a success, a real genius, and a most important person. On the other hand, if there were twice as many farm operators as now—somewhere around 6 million—living off the present agricultural plant, most of them would be in bad trouble.

As it is, we have around 3 million farm operators who participate in this farm industry—some of whom are very well off, and many of whom are in trouble. And all of them are constantly undergoing major adjustments in response to the economic and managerial changes brought about by the rapid influx of new technology into agriculture.

We are continually able to do more farming with fewer people—and those who remain need to accumulate capital at a rapid rate to use the new technology on a larger land base. This leaves a very real personal problem for those who are, or should be, moving out; for those who aren't able to accumulate the capital or manage the technology that is required for staying; and for those who must meet the heavy demands for skill and capital to remain and grow.

In a way, then, the "push" of the new technology, whether it is from public or private sources, is helping create both greater opportunities for some and greater problems for others. While all of us associated with the technology "push" can bask in the broadened opportunity that we bring to the fortunate and the fast afoot, we also must share some responsibility for the greater problems of adjustment that we bring to those who aren't so fortunate or so nimble. In an enlightened world, and a compassionate society, we just don't walk away leaving the wounded, the fatigued and the weak to be devoured by hostile forces. Part of the rationale for a tribal pact to form a mutual society is the protection and aid that we give one another.

But on the other hand, we cannot so burden the strong and the "adjusted" with such a load that the system of protection and aid drains their strength until there is no longer any personal pride or comfort or recompense for being, and staying, strong.

If we assume that the galloping inflow of new technology into agricultural production is going to continue unabated, then it follows that some marginal farmers and some marginal farm regions will continue to be in trouble. Lower commodity prices will cause them trouble. Cost of production will cause them trouble. The need for expanded capital and greater managerial capacity will cause them trouble.

As long as you maintain a free-flowing economic system where people have open access to resources and where they can grow in size at whatever pace their ability will sustain, you will have problems for those who can't maintain the pace needed to keep up. That is why we need to focus both on land use and on how we might help these people, and areas, to attach themselves to a new income stream.

Long-Term Benefit

What, then, have we done—and are we doing—in the form of federal farm policies that has a long-term beneficial effect on agriculture?

Price supports—especially those that have evened out seasonal and cyclical variations—have ironed out some of the uncertainties of farming. This has improved farmers' ability to plan and has increased the rate of technological inflow. Not that this has always, or ever, gone smoothly. It hasn't. We've had our accompanying surplus accumulation, our irregular foreign food programs that sometimes disrupt international trade. And there has been a considerable public cost—a cost, by the way, that the public may not always be willing to pay.

There are those who think that dividing farm supports into price supports and income payments is a more direct approach to the equity problem and a fundamental step toward the next round of farm program development. They point out that it has set a precedent for the public to accept income payments of some kind as a medium for achieving greater equity or for achieving certain ends. Others note that payments have been used to substitute tax payments for farm market prices and have made farmers overly reliant on political processes and more subject to public control.

Another development is the growth of marketing orders. We had them in dairying in a rudimentary way for 25 to 30 years, and more recently have refined them. It is only lately that people have begun to understand the applicability of market orders to other commodities and their capability in matters such as pricing regulations, quality control, market flow and trade practices.

Another alternative is the free market. Because of the built-in relationships of nearly 40 years of farm programs, a rapid shift to the free market probably is unacceptable from the viewpoint of politics, farm income, land values and the effect on rural communities. Marginal areas would have a heavy burden fall on them. Those who had to shift from wheat to grass and from cotton to trees would be treated harshly. A gradual shift to the free market for more farm commodities—with protection against seasonal dislocations and major cyclical adjustments—is a very real possibility over the long term.

Another alternative is the route of farm bargaining power. If we took away all government supports and all government payments and still maintained the present level of farm income through bargaining power, it would require a rather high level of farm prices to maintain that income. These prices would exclude a good sized portion of our present exports. And still to be proven, of course, is that producer-organized groups will make a bargaining program stick. This is not to rule out gradual progress in bargaining, however; or the fact that in some commodities—particularly in contract commodities—bargaining will increasingly set the level of prices for farmers.

The immediate prospect ahead of us is that our surplus producing capacity in agriculture isn't going to evaporate over the next five years, or even in ten. Partly it's because of what's happening here in this country in expanded technology, but partly it is the result of what's happening around the world to agricultural technology and trade practices elsewhere.

The government can't regulate the rate at which technology is introduced into agriculture. Technology comes in the form of new chemicals, improved seed, better machines, keener management, better feed, improved breeding, new ideas, and a host of things too difficult to regulate—if one wanted to.

One alternative to try to tame our surplus producing capacity is to continue the annual land diversion programs that we have had in the recent past. The costs of doing this could very well climb to $5 billion a year with the technology and trade changes that might lie ahead. And at the end of 10 years, we'd still have our problem with us.

Which Land Retirement

It's a safe assumption that we are going to continue to have some kind of land retirement. The question is, which kind? The present annual program is the highest-cost type of land retirement. We can move in varying degrees to other kinds of effective, but less costly, land retirement.

An alternative is a long-range land retirement program. With this, you can build in protection for marginal areas and marginal rural communities. You can bring about more gradual adjustments—and you can do it at a more reasonable public cost. The best guess is that a long-range land retirement program costing $2 billion a year—about $1½ billion less than our present annual program—would maintain farm income at about the present level. In five or six years this program might be less costly than our present annual land-retirement program—and a $2 billion-per-year cost might be a figure that the public would be willing to pay.

It is well to remind ourselves that you get the greatest retirement of production at the lowest program cost by concentrating on whole farms, marginal land and marginal areas. A simple illustration would be this: A man on 50-bushel corn land may just be breaking even on that crop, so it doesn't take a very large payment to induce him to retire his land. A man on 100-bushel corn land may have higher expenses per acre, but his net is still usually quite a bit higher than that of the fellow on 50-bushel land. You can induce a man on 50-bushel land to retire two acres (100 bushels) at a much lower program cost than is needed to induce a man on 100-bushel land to retire one acre.

Long-range land retirement wouldn't stop farm adjustments nor let the bottom fall out; it would ease adjustments over a longer period of time in places where adjustments are going to be made anyway, and it would make changes more palatable.

One step would be to go to 10-year whole farm retirement. Then the farmers involved could shut down their entire farm and close the spigot on most costs, except for fixed costs such as taxes and conservation expenses. These farmers could take off-farm jobs.

Another step would be to build in some regional protections—for instance, not allowing more than, say, 25 percent of the land in a region to go into retirement. If you moved up from that percent, it would lower program costs, since less of the required national land retirement would come out of better land which, of necessity, demands a higher cost per acre to get it retired.

Another refinement to long-range land retirement is to help farm people get out of agriculture if they wish—especially those who want to retire early. You could have an income program, a part of which is job training and part of which is Social Security retirement for farmers who are 55 years of age. You could attach income supports to the person, not to the land. You could have cropping right easements for those who are taking the early retirement or income payments voluntarily—or you could buy outright the land offered and sell it back to other farmers.

In the end, you might have a more stabilized land price—which meets head-on one of the problems of farm programs in the past: price or income maintenance has gotten capitalized into the price of land, creating a situation that is very difficult to back away from. The labor approach would be aimed at reducing the labor input instead of the land input. This involves job assistance, job training and aid to rural communities.

Rural People Program

From the standpoint of cost, and immediate effectiveness, a long-range land retirement plan for farmers seems to have a lot of merit. But we also need to think of rural communities—the merchant, the tradesmen, and the Congressman who may lose his seat if there are fewer people on farms and in rural communities. That is the reason cropland adjustment programs have never gotten farther in the past. People don't want to step up the depopulation of the community or see it shrink. They want some kind of program for the entire rural community that focuses on rural people.

The problem of getting long-range land retirement is not the economics of it—it's the politics of it. There is a Congressional hangover from the Soil Bank program of the 1950's. The merchants selling production goods to farmers didn't like it. The marginal areas that were taking the most land out of production reacted negatively to it. It merely highlighted to them the adjustments that were already taking place in marginal areas and gave them a handy target at whose doorstep they could lay the blame. The Congressmen from those areas didn't like it.

Long-range land retirement has been blamed for some adjustments in rural towns and villages that are going to take place anyway. Rural towns and their businesses are being bypassed by interstate highways, by urban shopping centers, by changes in merchandising farm supplies, by new methods of marketing farm products, by custom work and bulk handling on farms, and by other fundamental changes that have been bringing tremendous changes in rural towns. Even if the number of farms and the farm population remained constant, there would have been, and would continue to be, big changes in rural towns.

Still, at the present time, a long-range land retirement program is not likely to come out of the Senate or House Agriculture committees. Such a program would need to be reconstructed on the floor itself from what is reported out by the Agriculture committees. This has been happening in recent times to such bills as the food stamp program, meat inspection, poultry inspection and the like. It would be much harder to rewrite a land retirement program on the floor, since it is more complicated. Urban Congressmen are intimidated by all the jargon about allotments and price supports, and they don't want to learn about them. It may be the budget that finally forces a closer look at the costs of the annual land retirement.

What we are looking for, then, in the government's role, is a program that will help take some of the harsh edges off future economic adjustments; soften them with compassion and understanding; aid or alter changes, but not stop them; help the people, particularly, who by their circumstances and nature are having the most trouble adjusting; and treat the three parts of the rural economic scene: the agricultural industry, farm people and rural communities.