I think everyone in this Chamber knows what the problem is. A wealthy school district can finance schools with a low tax rate on a high assessed valuation. A poor district even with high tax rates cannot raise enough revenue to provide an equal-quality education.

The quality of a child's education should not be a function of the wealth of his parents and neighbors. This is a problem of national scope and one which, I feel most deeply, must be resolved.

We as Americans have long believed that the Nation is obligated to provide every American child with the opportunity for an equal education. This obligation is going to place new demands on us who are legislators.

Therefore, I believe we should begin now considering the long-range solution of the problems of schools the National Educational Association has proposed. I do not say here and now that it should be endorsed in toto.

But by the time the 1976 goal for full operation and funding of our public school system set by the NEA rolls around, we should have an idea of where we are going.

The NEA has proposed the Federal Government supply one-third of the total cost of public elementary and secondary schools.

It is obvious that with old methods of school financing being successfully challenged in court, we, here in the Congress, will have to provide some answers to distribution of funds to support education.

We have the opportunity to provide the leadership in a new direction in public education and I do not want to miss the chance to fully participate.

Thank you, Mr. Speaker.

THE YOUNG EXECUTIVES PLAN TO LIQUIDATE FARMERS: PRODUCT OF AN OFFICIAL COMMITTEE CHAIRED BY THE UNDER SECRETARY

(Mr. MELCHER asked and was given permission to address the House for 1 minute to revise and extend his remarks and include extraneous matter.)

Mr. MELCHER. Mr. Speaker, there is a great deal of interest in the plan developed by the Department of Agriculture Young Executive's Committee recommending that we forget about the importance and needs of agriculture by programs.

Since inserting the summary of the report in the RECORD of June 15, my office has been beseiged with calls for extra copies of the text, which I do not have, and I understand that the Department of Agriculture is issuing only a limited number, since they do not wish to be held responsible for the document at this time, before elections.

The Department copies are issued with a disclaimer attached to the front which reads:

Report of the Young Executives Committee has no official status in the U.S. Department of Agriculture. It was developed independently by the 15 members of the Committee of young employees of the Department. The opinions are those of the members of the Committee. The views expressed are not representative of the policy of the Department.

This disclaimer is signed by Assistant Secretary Richard Lyng, in the absence of the Secretary but it must be noted that the chairman of the committee is the Under Secretary of Agriculture.

In all fairness to the 15 young executives who thus have been given full responsibility for getting up their amazing recommendations independently, I think that the RECORD should show that their committee was set up by memorandum of the Secretary on April 26, 1971, and that they were handpicked, with the Under Secretary of Agriculture—the second highest official in both the Hardin and Butz regimes—serving as chairman. dated April 26, 1971, setting up the Committee was as follows:

APRIL 26, 1971.

SECRETARY'S MEMORANDUM NO. 1727

YOUNG EXECUTIVES COMMITTEE

1. *Objectives*. Throughout the Department of Agriculture we have many talented young executives who are in positions of high responsibility within their agencies. In an effort to increase their involvement in broad interagency matters, I am hereby establishing a Young Executives Committee.

This Committee will bring together individuals from all of the agencies and offices of U.S.D.A. to work on issues of department-wide concern which are generated by the Office of the Secretary, the agencies, and by the Committee itself. In this manner, it will serve to bring additional insights and perspectives to departmental problems and opportunities.

2. *Membership*. Committee members will be nominated by the agencies and the Secretary's staff. Each agency administrator and office director may nominate from one to three individuals. Selection will be made on a nationwide basis. Nominees must be 40 years of age or under, and GS–12 or above. Members will normally be appointed for one fiscal year, with the exception of the first group whose appointments will run through the end of fiscal year 1972.

The Committee will be chaired by the Under Secretary. The Chairman shall appoint an Executive Secretary and any other officers from among the membership, with the concurrence of the members.

CLIFFORD M. HARDIN,
Secretary of Agriculture.

Unfortunately, Mr. Lyng's disclaimer of the document does not specify which portions of the young executives' committee plan is not in accord with administration policy.

The low farm price policy certainly is. Secretary of Agriculture Butz has boasted that he killed my bill to raise loan rates on grains 25 percent by getting in touch with the "financial angels" of some of the members of the Senate Agriculture Committee, which is a rather dubious boast that the influence of campaign fund money was deliberately used to make Government policy.

The young executives' proposal to put busted farmers on welfare is not new. The House Agriculture Committee was told that the President's family assistance plan, the new welfare bill, should be enacted to take care of them during discussions of a new farm program more than a year ago by the Secretary.

Actually, much of the young executives' document is a retread of policies that have been coming up to us piecemeal for some time.

I understand that one of our Republican colleagues has called for the dismissal of the 15 young executives in the Iowa press.

In my opinion, before such a demand is made we should determine just who lectured them at their seminars, and just what their instructions were when they prepared this document and how much influence the Under Secretary exerted on behalf of Secretary Hardin and Secretary Butz.

There may be extenuating circumstances which would entitle them at least to probation; it is pretty tough on a young man with a family and a career at stake to defy the boss.

Mr. Speaker, every Member of this body should read the document in full. And in view of the demand for copies of it, I am including the full text in the RECORD so the public can also know the scheme being touted by a portion of the USDA. It is a bad scheme that I believe the American people want rejected.

The material follows:

NEW DIRECTIONS FOR U.S. AGRICULTURAL POLICY

COMMITTEE MEMBERS

Gene S. Bergoffen, Executive Secretary, Forest Service.

Allan S. Johnson, Project Leader, Economic Research Service.

Carol G. Alexander, National Agricultural Library.

Karen L. Berke, Agricultural Marketing Service.

John S. Bottum, Extension Service.

John E. Carson, Animal and Plant Health Inspection Service.

Betty L. Dotson, Food and Nutrition Service.

Avram E. Guroff, Economic Research Service.

Clarence R. Hanna, Office of Information Systems.

James E. Haskell, Farmer Cooperative Service.

Homer R. Hilner, Soil Conservation Service.

Jerome A. Miles, Director, Office of Budget and Finance.

Gerald C. Puppe, Federal Crop Insurance Corporation.

William L. Ruble, Agricultural Stabilization and Conservation Service.

Robert P. Shiner, Commodity Exchange Authority.

STUDY BACKGROUND

The Young Executive Committee was established by Secretary's Memorandum No. 1727, April 26, 1971. Each of its 15 members represent an agency of the Department of Agriculture.

Shortly after the Committee was established and organized, then Secretary of Agriculture Clifford M. Hardin asked it to undertake a review of the "farm income question" and to present its views to him and his staff.

As part of its information-gathering activities, the Committee arranged seminars with a number of Department officials and others outside the Department. In November 1971, the Committee divided into subteams of three each and visited four areas of the country to talk with farmers, food producers, and others involved in agriculture. Teams visited South Central Texas, Mississippi, Washington, and California.

Viewpoints were developed on the basis of position papers developed by individual members and discussed by the Committee. When points of view were adopted by the Committee, individual members were assigned to draft report sections incorporating the Committee positions.

The entire report has been reviewed in detail by members of the Young Executives Committee and is submitted as a Committee document.

PREFACE

Farm income is a source, if not the sole source, of personal income for millions of rural residence. Increases or decreases in the level of farm income greatly affect the well-being of these people. But income is also a return to resources employed in agriculture—land, labor, and capital. The level of resources attracted to the farming industry depends upon the rate of return the resources can earn in agriculture compared to other alternatives.

The causes of national concern over the level of farm income are twofold. First, if returns to employed resources are low and remain low over an extended period of time, the Nation's ability to efficiently produce adequate supplies of food and fiber is jeopardized. Second, if returns to resources are low or, more importantly, the resources are underemployed, the owners of these resources will earn incomes below what they or the Nation deems desirable. In other words, the income of farm people would be insufficient for them to obtain a decent level of living. This problem becomes particularly acute if alternative employment opportunities for these resources do not exist.

Within this framework, we asked the question, "Is there a farm income problem and, if so, what is the nature of the problem?" Increases in productivity in agriculture have equaled or exceeded that of most other industries, ample supplies of food and fiber are being produced to meet national needs, and, as a percent of total income, consumer expenditures for food have continuously decreased. These are not characteristics of an industry suffering from insufficient resources. While the adequacy of returns to resources may be debated, the symptoms of inadequate returns upon which national concern should be based, do not exist.

However, not all individuals engaged in farming earn an income sufficient for a decent level of living. The income of many farm families is at or below the poverty line. But, since returns to resources are adequate, or nearly so, it follows that the farm income problem is primarily one of underemployed resources.

Having so isolated the farm income problem we then asked, "What is the public sector doing to improve the income of low-income farm families?" We found that nearly all resources devoted to the farm income problem are oriented toward increasing returns to resources—that relatively little was being done to increase utilization of the underemployed resources, and hence, the welfare of low-income farm families. This finding pointed to the need for adjustments in the present farm and other rural programs.

We recognize the sweeping political, as well as economic, ramifications implicit in some of our recommendations. However, we strongly hope that this report will serve as a framework for a thorough evaluation of the Nation's approach to agriculture and rural America.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Farm income—A new perspective

The Committee concluded that the basic farm income statistics developed and published by the Department tend to present a distorted picture of the true economic conditions in the farming sector. The statistics include establishments that cannot reasonably be called farms and are inconsistent with the Department's farm income mission. The Department's mission is stated in terms of equitable returns to resources whereas the statistical measures are concerned with income of farmers, a welfare concept. To overcome these deficiencies the Committee recommends: 1) farms be defined as establishments with annual sales of $5,000 or more, 2) elimination of the parity price ratio, and 3) development of a set of statistics which would compare the return to all resources, including family labor, used in the production of each agricultural commodity with what these resources could earn outside of agriculture.

A policy framework for agriculture

Failure to obtain public agreement on the basic goals for agriculture has resulted in the formulation of individual programs with conflicting objectives. While proposing a broad framework for agricultural policy, the Committee recognizes that its views may not necessarily represent the majority views of the Nation. But, the Committee hopes that, in making its proposals, it will have stimulated in-depth analyses and discussions of the basic issues which must be resolved. The need to obtain agreement with respect to the desired characteristics of agriculture is essential to the rational development and administration of agricultural policy.

The policy framework recommended by the Committee has the following characteristics:

1. Agriculture should be viewed as an industry which consumes resources, provides employment, and produces goods of value to society.

2. National policy for agriculture should be directed at creating an environment which would enable the industry to provide adequate supplies of food and fiber at reasonable prices to meet domestic needs and to compete in world markets.

3. National policy should not be directed at assuring any particular level of income from farming for the Nation's farmers. Income from farming should be of concern only to the extent that it affects the industry's ability to produce efficiently adequate supplies of food and fiber.

4. National policy should be directed toward maintaining agriculture as a viable industry and not as a way of life.

5. The agricultural industry should operate with a minimum of direct involvement by the public sector. The public sector's role should be limited to the establishment and enforcement of rules which will allow the industry to maximize its contribution to the total welfare of the Nation.

Effectiveness of the basic farm programs and recommended changes

The present basis farm programs—the farm price support program and related direct payments to farmers—are not consistent with the Committee's basic policy framework for U.S. agriculture. The programs are costly, they limit supplies of food and fiber, and they are a deterrent to the efficient production of agricultural commodities. Because the program benefits have been capitalized into land values, their income benefits to second generation owners is negligible.

The Committee recommends that the basic farm programs be phased out over a period of 5 years. This should be accomplished by reducing the payment per bushel of projected yield rather than by restrictions on total payments. Over the same 5-year period, non-resource loan rates would be reduced to a "disaster price" level for feed grain crops and wheat and to zero for all other crops.

Comments and recommendations concerning other programs affecting farmers and farm income

Farm Credit

In concert with the objective to assure adequate supplies of food and fiber, the Nation must see that the credit needs of the farm sector are met. Private lenders, along with the Farm Credit System, should be capable of providing these credit needs. The Farm Credit System should continue to compete for funds in the money markets; their bonds should remain uninsured by the Federal Government; and their loans should be free of any interest subsidy to the borrowers. The Emergency Loan Program administered by the Department's Farmers Home Administration (FHA) needs to be continued. The Committee recommends elimination of the Farm Ownership Loan and Farm Operating Loan programs and questions the need for subsidized soil and water loans and loans to grazing associations.

Domestic Market Promotion

Expenditure of public funds for domestic promotion of agricultural products should be limited to those activities that can be justified on the grounds of improving human nutrition.

Foreign Market Promotion

The United States and other countries should strive to minimize artificial trade barriers. But increased reliance on free trade will require stepped up efforts on the part of the United States to compete for world markets. This need to take the form of improved intelligence of trade potentials by commodity and by country. Promotional activities will also be needed.

Crop Insurance

To the extent that crop insurance is not available through the private sector it should be provided by the Federal Government. If provided by the Federal Government, the premiums charged and to reflect the actual risk assumed.

Production and Market Research

The abundance of low-cost food and fiber in the U.S. can be attributed in large part, to publicly supported production and market research and dissemination. Such research and associated dissemination activities must be continued if we are to meet the needs of a growing population and compete in world markets.

Market Information and Monitoring Activities

Transferring the functions of supply management from the public to the private sector will increase the information needs of the latter. Only the public sector, with its legislative authority to acquire data from private sources, is equipped to meet these needs. It will be necessary for the Department to monitor the agricultural economy to assure success relative to the Nation's objectives to provide adequate supplies of food and fiber at reasonable prices.

Farmer Bargaining

The Committee supports all assistance government can reasonably give producer cooperatives and market agreements and orders should be authorized wherever appropriate. But the Committee would discourage enactment of any legislation that would exempt farmer associations from antitrust laws. The policy objective in this area should be to bring about a balance in the relative bargaining strength of producers and buyers without compromising existing antitrust laws or seriously disrupting the marketing and distribution system.

Improving the level of living in rural America

Agriculture cannot be looked upon to provide employment opportunities sufficient to maintain the present population base of rural areas. Neither can agriculturally oriented programs solve rural welfare problems. If rural towns and communities are to survive, and hopefully grow, off-farm employment must be found. Toward this end, the Committee makes the following recommendations:

1. Immediate enactment of the Family Assistance Plan.

2. Improved educational and vocational training for rural residents.

3. Tax incentives for industries locating plants in rural areas. Such tax incentives should be granted through the Federal tax system.

4. A credit system should be established to make credit available for construction of community services and facilities and housing. The credit should take the form of insured loans.

5. Technical advisors, trained in community planning, should be made available to rural communities. These technical advisors need

to be supported by an expanded research effort on the complex problems of rural development.

6. A national framework for land use planning should be developed to guide future growth and development.

7. A visible, specified, cabinet-level body or official must be designated to coordinate rural development efforts. The Committee firmly believes that stronger national direction is imperative and, therefore does not believe that Rural Community Development Revenue Sharing proposal should be the principal thrust toward improvement of the rural sector.

FARM INCOME—A NEW PERSPECTIVE

Society's perception of the farming sector is dependent in large part upon the statistical information published by the Department of Agriculture. This perception greatly influences public policy affecting agriculture. To the extent that the Department's statistics fail to adequately describe the real conditions which exist in the farming sector, perceptions of the farm sector are likely to be inaccurate and, hence, public policy less than optimum.

The Committee concluded that the basic farm income statistics developed and published by the Department tend to present a distorted picture of the true economic conditions in the farming sector. Those intimately familiar with the statistics are aware of this problem and can exercise necessary caution in their application to policy issues. But, it is the general public, who, through their Congressmen, established public programs affecting the farming sector. The general public cannot be expected to fully understand the limitations of a particular statistic published by the Department. Even if the limitations were fully understood, it would be unreasonable to expect caution to be exercised by those whose position is strengthened by these statistics.

The Department's stated objective with respect to farm income is to "assure that farm income is consistent with farmer investment in capital and management ability and with returns on investment elsewhere in the economy." This objective is stated in terms of equitable returns to factors of production and not in terms of the welfare of participants in the farming sector. Despite this stated objective, the key farm income statistics of the Department are welfare measures, i.e., income per farm operator, income per capita of the farm population, farm as a percentage of nonfarm per capita disposable income, etc. The Department's mission could be thought of as being concerned with income from farming, a return to resources concept, whereas the statistical measures are concerned with income of farmers, a welfare concept. With such fundamental differences between stated policy objectives and measures of accomplishments toward these objectives, it is understandable why there are differences of opinion as to the relative success of the Department's agricultural programs and the health of the farm sector.

Definition of a farm

The impact of such a fundamental difference would be less acute if it were not for the definition of a farm which is currently employed. A farm is presently defined as a place of 10 acres or more selling at least $50 worth of agricultural products. Places having less than the $50 or $250 minimum agricultural sales are counted as farms if they can normally be expected to produce agricultural products in sufficient quantity to meet the requirements of the definition. Using this definition, there were 2,924,000 farms in 1970.[1] Of this total number of farms, 789,000 had sales less than $1,000; 1,184,000 had sales less than $2,500; and 1,444,000 had sales less than $5,000. Only 1,480,000 farms had sales of $5,000 or more. But this latter category of farms accounted for 95 percent of the cash receipts from farming. In calculating average income from farming per farm, all farms are used in the denominator. This yields an average farm income per farm ($5,833 in 1970) considerably below the income of those farms producing nearly all of the Nation's agricultural products.

In 1970, the net income from farming per farm of those farms with agricultural sales less than $5,000 was $1,238. Average off-farm income totaled $7,506; therefore, total income for the average of this group of farms totaled $8,744, with income from farming accounting for only 16.5 percent.

For farms with agricultural sales greater than $5,000, average income from farming per farm was $10,617; average nonfarm income was $4,202; and total income per farm was $14,819. Nonfarm income accounted for only 28.4 percent of total income.

The above analysis points up some basic problems with respect to our present definition of a farm in light of the Department's stated mission. Average income from farming for nearly half of our presently defined farms accounts for only 16.5 percent of their total income. In total, these farms account for only 5 percent of the value of agricultural products produced. Clearly, these are farms in name only. Any reasonable increase in agricultural prices would provide them with little income assistance. A 1967 study by the Department's Economic Research Service (ERS) showed those farms with agricultural sales of less than $5,000 had returns of only 35 percent of parity (stockholders standard, excluding capital gains).[2] If that finding can be applied to conditions existing in 1970, then equitable returns to this group of farms would be $3,537; some $2,300 greater than was realized. That same study also showed that all farms on the average earned 96 percent of parity. If that finding can be applied to 1970 conditions, then the price increases required to get the returns to farms with sales of less than $5,000 up to 100 percent of parity would clearly result in returns to agriculture in excess of parity returns. The assumption here, of course, is that any price increase would apply to all producers of any particular commodity, a realistic assumption.

Including these small farms in the statistics tends to exaggerate the low-income position of commercial farmers relative to the rest of the economy and, hence, adds pressure to raise prices of farm commodities. But, increases in prices sufficient to have any significant impact on those farms with sales of less than $5,000 would push income above parity returns to those farms producing 95 percent of the agricultural output.

For the above reasons, the Committee recommends adoption by the Department of a definition that would identify farms as establishments with agricultural sales of $5,000 or more. The Committee is fully aware of the fact that allocation formulas for several grant programs to the states are tied, in part, to the number of farms within a state. We do not feel this should be a deterrent to changing the definition of a farm. Changes in the allocation formulas could be made so as to prevent any state from experiencing sizable increases or decreases in Federal funds.

A question that might be asked is, "Why $5,000 and not $10,000 or even some higher figure?" Any definition is somewhat arbitrary and our recommended definition is no exception. The definition used depends in large part upon the need to establish the definition in the first place. With respect to farms, it would seem the reason for establishing a definition would be to gather aggregate data on the farming sector of the economy—agricultural products produced, prices paid and received, value of sales, quantity and value of inputs used, etc.

The total number of farms is divided into these aggregates to get some idea what the average or typical farm looks like. Therefore, the definition used should be one that gets the maximum of aggregate data while minimizing distortions in the average. The definition adopted by the Committee would seem to satisfy this requirement. Farms with agricultural sales of less than $5,000 number 1,444,000—nearly one-half of all presently defined farms, but producing less than 5 percent of the Nation's agricultural products. Farms with sales of $5,000 but less than $10,000 total only 370,000 but produce nearly 6 percent of the Nation's agricultural products.

Parity price ratio

The parity price ratio, which compares the index of prices received to the index of prices paid by farmers using a 1910–1914 base, is neither a good barometer of return to resources employed in agriculture nor of the welfare of the farmer. It should be discarded.

The parity ratio has much philosophical appeal. Its creators and those adhering to it argue that it is only fair that prices received by farmers increase at the same rate as prices paid by farmers. On the surface this seems like a quite logical argument. But it completely fails to recognize increases in agricultural productivity. It could be argued that farmers should reap the benefits of increased productivity. But this argument fails to consider that most of the increase in U.S. agricultural productivity has been brought about by publicly supported research and research dissemination. This being the case, the public at large (through lower foor prices), not just the farmer, should also benefit from increases in agricultural productivity.

In the 1967 ERS study, it was noted that 1966 farm prices would need to have been about 33 percent higher to have achieved 100 percent of parity prices. But a much smaller increase in farm prices, 11 percent, would have provided 100 percent of parity returns for all farms on the average. It is highly unlikely that conditions have changed sufficiently since 1966 to make the findings of this study invalid today. Since the Department's objective is equitable returns to resources, the parity price ratio is a very poor measure indeed.

Other needed improvements

Changing the definition of a farm to those establishments with sales of agricultural products of $5,000 or more and eliminating the parity price ratio would be major improvements. Simple as they might seem, such changes will not be made easily. But the Committee feels the Department should make every effort to present to the public as accurate a picture of the health of the farming sector as is possible. Other deficiencies in our statistical measures exist and, over time, these too should be eliminated.

It is assumed that every establishment defined as a farm has an operator and that the operator receives the income earned from the agricultural products sold from the farm. Such an assumption might have been valid in the past, but is not so today because of the structural changes which have taken place in agriculture. Take, for example, a farm operator in the broiler industry. The farm operator might own the land and buildings, but grow the broilers under contract. He never takes ownership of the broilers nor does he purchase the feed or other production inputs. He receives a fixed price per bird delivered to the contractor. Income from the farm, using present procedures, would involve estimating the value of production expenses less some inputed farm value for the broilers. This would be the net income of the farm, but clearly, not the net income of the farm operator. The income

[1] Data on number of farms, cash sales, and farm income obtained from "Farm Income Situation." Economic Research Service US. Department of Agriculture FIS-218, July 1971.

[2] "Parity Returns Position of Farmers," Senate Document No. 44, 90th Congress, First Session, August 10, 1967.

would go to the contractor who, in turn, might be publicly owned. To the extent that operators such as these become a significant factor in the agricultural industry, average farm income or average income of the farm population becomes quite meaningless.

In all industries except agriculture, the dominate measure is rate of return on investment with no concern given to who received the income. Measures of average net income per firm or establishment are not used to determine welfare of participants in the steel or food retailing industry or any other industry group. Only in agriculture do we attempt to come up with some sort of welfare measure from income per farm or establishment data.

Because a great deal of farm labor is provided by the operator and his family, a measure of rate of return on investment would not be appropriate for agriculture. But, given the present objective of the Department's farm income mission and its programs to achieve this objective, a set of statistics comparing the return to all resources used in the production of each agricultural commodity, including family labor, with what these resources could earn outside of agriculture—a measure similar to that developed in the 1967 ERS study for all farmers—would be more useful than present measures. The need for adjustments in the price for a particular commodity could then be supported on the grounds that existing prices are yielding returns greater or lesser than what the resources employed could earn elsewhere in the economy. In this way the operation of the Department's commodity program would conform to its stated farm income objective. The Committee has not fully explored the feasibility of developing such statistics but recommends that such a study be undertaken. Even with the changes in Department objectives and programs proposed in subsequent sections of this report, such statistics would be useful in measuring the health of the farming industry.

Concluding comments

Inclusion in Department statistics of a large number of units that are clearly not farms yields an unrealistically low estimate of average farm income. This estimate is used to justify higher farm prices, prices which may actually result in returns in excess of equitable returns for most of the agricultural products produced. There is a more subtle but equally negative aspect of the present definition. By identifying these people as "farmers" and having public programs to support farm income, we have given the public the mistaken belief that the welfare of these people was being adequately cared for. It is likely this has tended to discourage the development of programs outside the scope of agriculture (but not necessarily outside the scope of the Department) that were and are needed to assist low-income rural people.

The Committee wants it fully understood that in recommending a change in the definition of a farm, it does not intend to define away any income or welfare problem existing among these people. To the extent these problems exist, they continue to exist regardless of the definition used. But they need to be treated in the broader context of rural development. The problem of low-income rural people and rural development is discussed in more detail in the last section of this report.

A POLICY FRAMEWORK FOR AGRICULTURE

Many of the Committee's views of agriculture are implicit in the preceding discussion of farm income statistics. The purpose here is to make these views explicit—to identify in greater detail the basic principals upon which the Committee feels agriculture policy should be based.

The need to establish a basic framework for policy determination

Public debate has tended to center on agricultural prices and program administration rather than the desired characteristics of American agriculture. As a result, price policy and its administration has tended to dictate the future of American agriculture rather than contributing to some desired end.

The "ideal" public policy, given an objective to increase the number of farms, or at least maintain the present number, would be considerably different from the "ideal" policy if the Nation were indifferent to the number of producing units. Critics of present farm policy point to the declining number of farms as evidence of poor policy and poor administration of that policy. But, the Committee found no evidence of an agreed upon goal with respect to farm numbers.

Present policy is affecting the number of farming operations. But, without a publicly agreed upon goal or objective, we cannot say whether the impact is good or bad and, hence, we cannot say whether the policy is good or bad. As a result, the Department has no defense against its critics. Obtaining agreement with respect to the desired characteristics of agriculture in the years ahead is essential to the rational development and administration of agricultural policy.

While proposing a broad framework for agricultural policy, the Committee recognizes that its views may not necessarily represent the majority views of the Nation. But, the Committee hopes that these proposals will stimulate in-depth analysis and discussion of the basic issues which must be resolved. Serious conflicts exist between objectives of individual agricultural programs because basic policy goals have not been agreed upon. These conflicts are costly and must be eliminated.

A policy framework—the committee's position

Agriculture should be viewed as an industry which consumes resources, provides employment, and produces goods of value to society. The Committee believes that national agricultural policy should aim at creating an environment which would enable the industry to provide adequate supplies of food and fiber at reasonable prices to meet domestic needs and to compete in world markets.

Farm Income

The level of farm income earned from the production of agricultural commodities, either per farm or in the aggregate, should not be an end in itself. That is, the Department's objective should not be to assure any particular level of income from farming for the Nation's farmers. Income from farming should be of concern only to the extent that it affects the level of resources attracted to the industry, and, hence, the industry's ability to produce efficiently adequate supplies of food and fiber. The industry should not be evaluated on its ability to provide an adequate level of living for all participants regardless of the size of their operation or managerial ability. If adequate supplies of food and fiber are being made available at reasonable prices, we should conclude that the Nation has a healthy, viable agricultural industry. If, at the same time, some individual producers are earning a level of income below what they or the Nation deem desirable, our assessment of the industry should be amended to state that it has certain human resource adjustments to make. The Nation should then make every effort to facilitate these adjustments at the least possible total cost (economic and social) to society. The Nation can ill-afford transfer payments to allow productive individuals to remain indefinitely in the industry of their choice.

Farming as a way of life

Agricultural policy should be directed towards maintaining agriculture as a viable industry and not as a way of life. The numbers of farms or farm population size is irrelevant except as these influence performance of the agricultural industry. There is no objective evidence to support the argument that there would be a net social benefit if the farm population were to increase or if its present size were maintained.

Clearly there is need to avoid further concentration of people in large urban areas. Maintaining or increasing the present farm population would reduce the rate of migration to urban areas, but more feasible and practical alternatives are available. Because the rate of substitution of capital for labor during the past 20 or 30 years has been greater than the rate of adjustment in the supply of agricultural labor and because the Nation has the ability to produce food and fiber beyond domestic and foreign requirements, there is need to reduce labor inputs in agriculture. This, of course, assumes a national objective to productively employ the labor force, i.e., the value of labor output should exceed its costs, including transfer payments. Although put in terms of an assumption, the Committee feels this should be an objective of our economic system. Given these conditions, agriculture cannot and should not be expected to provide employment opportunities sufficient to preserve the Nation's rural towns and communities. If these towns and communities are to grow, additional off-farm employment opportunities must be found.

Food prices

Although calling for the production of adequate supplies of food and fiber at reasonable prices, the Committee recognizes there are no objective measures to establish the level at which retail food and fiber prices are "reasonable." This fact must also be recognized by those monitoring the agricultural industry. We can measure the rate of return to industry participants given existing prices. But, having done so, the conclusion that they are too high or too low cannot be objectively supported. We can also measure the percent of disposable income spent for food and fiber. But, here again, any conclusions that it is too high or too low is highly subjective. Reasonableness must be determined by what most people consider reasonable. If they think retail prices of food and fiber are reasonable, then they are reasonable. It should, however, be the role of the public sector to keep the public informed of both the level of prices and the consequences of forced adjustments so that society can determine within its sets of values whether it is willing to incur the costs of these adjustments.

Role of the public sector

The agricultural industry should operate with a minimum of direct involvement by the public sector. Ideally, the public sector's role should be limited to the establishment and enforcement of rules which will allow the industry to maximize its contribution to the national welfare. Such rules might include restrictions on the use of certain production practices or inputs, or restrictions on the use of land for purposes other than agriculture, or for purposes excluding agriculture. Once established, the industry through free market forces, would have to make the necessary adjustments. The public sector might provide assistance to alleviate the burden of such adjustments, but such assistance should be of limited duration.

In general, the rules established for the agricultural industry or any other industry should be limited to those which result in more efficient use of natural and human resources. The private sector will utilize resources efficiently only to the extent that the price structure reflects the true costs of these resources. We should not expect the private sector to cease dumping wastes into the Nation's rivers and lakes if it is not prohibited from doing so and does not have to bear the cost of removing these wastes. The public sector must establish rules that cause the private sector to view these costs as internal rather than external.

There are those who argue that society's preoccupation with economic efficiency has been detrimental to the national welfare. This criticism needs to be directed at the price structure for production inputs, including the effect of public laws and regulations such as taxes on this price structure. If the true cost of resources used in agriculture, or any industry for that matter, is reflected in the price of those resources, the detrimental effects of efforts to improve efficiency could be avoided.

EFFECTIVENESS OF PRESENT FARM PROGRAMS FOR COMMERCIAL AGRICULTURE AND RECOMMENDED ALTERNATIVES

Effectiveness of the basic farm programs

The present basic farm programs—the farm price support program and related direct payments to farmers—are not consistent with the Committee's basic policy framework for U.S. agriculture. Not only do present programs result in a high degree of government intervention in the production and marketing system, they are also quite costly and there is sufficient evidence to question their effectiveness in meeting stated objectives.

Studies reviewed by the Committee point to increased supplies of food and fiber, at lower prices, if farm programs were removed. Although we are one of the best fed and clothed nations in the world, more lower priced food would be quite beneficial to low-income families. In addition, and of more importance to the agricultural industry, lower prices would allow the United States to become more competitive in world markets. But, associated with this change would be a reduction in aggregate farm income. In 1970, direct payments to farmers totaled $3.7 billion or about 21 percent of net farm income.[3] Without farm programs, these payments would be removed and aggregate farm income would fall accordingly. Given the low price elasticity of demand for farm products, increases in marketings would not offset reductions in price, causing a further reduction in farm income. Estimates of this reduction are in the range of $3 billion in the short-run and about $1–2 billion in the long-run as resource adjustments take place.[4] This loss, together with elimination of direct payments, would result in an estimated reduction in annual farm income of about $6.0 billion in the short-run and $4–5 billion in the long-run. The income effect of direct payments and price supports of some $6.0 billion can also be thought of as the price that society pays in terms of taxes and higher food and fiber prices to "assist" American farmers.

It is interesting to note that in the analyses reviewed by the Committee, additional food and fiber would be produced without present farm programs. The reduction in farm income projected in these analyses would not impair the Nation's ability to provide adequate supplies of food and fiber. In fact, it is the additional food and fiber produced that leads, in part, to the reduction in farm income.

There are two aspects of present programs that tend to support the contention that adequate supplies of food and fiber would be produced without these programs even though farm income is reduced. The first of these concerns the capitalization of program benefits into land values. Since the programs are tied so closely to land, their income benefits have been eroded through higher land prices. Capitalization of program benefits into land prices has resulted in windfall profits for first generation owners, but has left little for second generation owners. In fact, capitalization of program benefits in land prices presents one of the principal obstacles to elimination of the programs. A recent ERS analysis of proposed legislation to eliminate price supports for tobacco indicated that land values in the tobacco growing areas would decline about $2–3 billion if enacted. Those tobacco growers who purchased land at current market value, which includes the capitalized value of the tobacco allotment, would incur significant capital losses. But, at reduced land values, less net farm income would be required to yield adequate returns to resources. If, in fact, all program benefits have been capitalized into land values, their elimination would have no impact on the level of returns to resources employed in agriculture. The value of farm assets would be reduced, and, from a welfare point of view, farmers would be worse off. But, as pointed out earlier in this report, programs for commercial agriculture must be divorced from welfare considerations. A reduced income earned per acre would result in the need for larger farm units to provide adequate income for the farm family. This would tend to accelerate the reduction in number of farms, a fact which does not disturb the Committee, assuming adequate nonfarm jobs can be found in the rural communities and sufficient number of producing units remain to insure that the industry remains competitive.

The second factor deals with the distribution of farm program benefits. Income benefits of current programs are not evenly distributed among all farmers nor are they distributed on basis of need. Income transfer payments are usually thought of as being a means by which income of the less needy is transferred to the needy. Such is not the case with farm programs. The larger the farming unit, the greater the benefits received by the owner. The level of income earned by the owner of the farming unit, either farm or off-farm, is not considered in determining the magnitude of payments he will receive. As a result, only a very small portion of the program benefits reach those farmers with an income or welfare problem. The 1967 ERS study ("Parity Return Position of Farmers"), showed that, on the average, farms with value of sales of $20,000 or more (stockholders standard, excluding capital gains) earned 167 percent of parity returns in 1966. This group of farms received $2.1 of $3.7 billion of direct payments in 1970 and, since these farms accounted for 74 of the sales, it follows they received 74 percent of the income benefits of price support policy that so distorts the market system that a segment of society can earn, indefinitely, returns to their resources considerably greater than those same resources could earn elsewhere in the economy.

The Committee also feels that the present farm programs are a deterrent to efficient production of U.S. agricultural commodities. The attachment of program benefits to land has impaired movement of agricultural production to areas of least cost. The present geographical distribution of production, particularly for cotton and wheat, would likely be different in a free market environment and the cost of producing our present bundle of food and fiber would be less.

Despite these deficiencies, the basic farm programs have helped, to some extent, control the exodus of people from the farming sector and have contributed to a more stable U.S. agriculture. Perhaps these benefits have been sufficient to justify the existence of the programs over the past few decades.[5] But, the Committee feels that conditions in agriculture today are such that government intervention in the form of present farm programs and their associated costs can no longer be justified on these grounds. Although conditions do not warrant the present set of programs, their immediate elimination would create severe adjustment problems. It is, therefore, necessary to develop an optimal farm program for the future and also to map out a series of programs to reach the optimal so as to minimize the negative aspects of this adjustment process.

Proposed changes in basic farm programs

Economic and technological forces have caused marked changes in U.S. agriculture. Although we feel that these forces must be guided somewhat, they should not be counteracted. Rather, many of the agricultural programs which impede adjustments should be progressively reduced and finally eliminated. This is not to deny the many welfare problems which arise fairly directly from these adjustments. But welfare problems in agriculture cannot be ameliorated by the "higher agricultural price" approach since people with the greatest chronic income problems produce only a small volume of agricultural products for sale. Approaches to welfare problems are given in the final section of this report. Here we will deal with programs for commercial agriculture.

Government loan programs have reduced price instability at least on the downside for many commodities. Producers are guaranteed at least a minimum loan price for certain crops if they plant within the government price support program for these crops. In addition, for some of these crops, they receive a direct payment as well. If the price support loan programs are discontinued completely, then some substitute method should be developed so that individual producers have at least a minimum price guarantee prior to yearly planning decisions.

Providing a mechanism for guaranteeing minimum prices to individual producers prior to fertilizing and planting does not necessarily mean that the government must set a price and guarantee it. For most crops not under government price supports, a system of forward contracting has built up over a period of years. For example, canning plants have long contracted with farmers for the production of particular vegetables. Although contracts may not be renewed, for a particular year the farmer has a contract before planting these speciality crops.

Forward contracting would surely have developed more rapidly for many of our basic crops in the absence of government programs. In some cases, the lowering and removal of the government price support loan program will result in the rapid development of a forward contracting system. Tobacco and cotton are both crops which may be expected to fall in this category for, although there are many producers, there are relatively few buyers (Few tobacco companies in the case of tobacco and relatively few mills in the case of cotton).

For the feed and food grain crops such as corn, grain sorghum, and wheat, on the other hand, there are not only many producers, but many buyers as well. *In the future, cattle feeding and hog feeding are expected to become highly concentrated in very large feedlots.* As this takes place, a forward contracting system for feed grains may be expected to develop much more rapidly that would be the case at the present time.

Thus, although our long-term goal would be to eliminate all direct payment and price support loan programs, the Committee believes that this should be accomplished through a series of steps:

1. All direct payments would be reduced to zero over a period of 5 years. This should be accomplished by reducing the payment

[3] "Farm Income Situation," Economic Research Service, U.S. Department of Agriculture, FIS–218, July 1971.

[4] Schultze, Charles L., "The Distribution of Farm Subsidies—Who Gets the Benefits," Brookings Institute, 1971.

[5] One does have to wonder, though, if more efficient ways could have been found to alleviate the adjustment problems. What would the rural population be today if half of the dollars spent for farm programs had been developed to generating off-farm employment opportunities in rural areas and job training programs for displaced farm people.

per bushel of projected yield" rather than by restrictions on total payments. Restrictions of total payments encourage inefficient farm organization.

2. Over the same 5-year period, non-recourse loan rates would be reduced to a "disaster price" level for feed grain crops and wheat and to zero for all other crops. The disaster price level would be one that is sufficiently low that it rarely sets the price although it may have a seasonal effect on price in many years. Rather than taking over a large volume of stocks in the event of a year encountered in which the market price would have remained below the loan level for crops, a reseal program extending if necessary over a few years should be instituted so that stocks remain in producers' hands rather than in CCC inventory. If reseal stocks start to rise, the disaster price should be lowered, since this would indicate that the loan price has apparently become higher than the equilibrium price.

3. Purchase programs such as the one for dairy products should be phased out over a few years. Price stability appears to be the principal justification of the program and milk marketing orders appear to be potent enough to give this stability.

4. All commodities presently supported due to a critical "national defense" requirement should be reviewed to see if they are really critical. Tung oil and gum naval stores surely are not critical to national defense. Due to the development of artificial sweeteners, domestic production of sugar seems no longer critical to national defense. Neither is domestic production of wool, due to the development of synthetics.

It is often argued that a progressive lowering of direct payments and loan rates is no better than letting the blow fall in a single year. If producers could foretell the adjustment which will be made, this might be the case. Land values would drop exactly to the levels reflected by their value in an "adjusted agriculture." We cannot, of course, anticipate many of the adjustments even from a national vantagepoint. Certainly we cannot expect individual producers to predict accurately the many institutional changes which will affect them.

Drastic shifts in agricultural enterprises may be expected from the above recommendations, but adjustments to alternative agricultural enterprises take time. It is for this reason that the Committee proposes a gradual phase-out of present programs over a 5-year period. *For example, should the raising of beef cow-calf herds become more profitable than cotton then it will take time to make this adjustment.* Beef cow herds can only be economically built up over time. A crash buildup could lead to disaster for an individual producer lacking managerial skills in beef cattle production. Too rapid a buildup would also mean chaos for present beef producers as it would cause precipitous changes in livestock prices.

Too rapid a switch between crops also causes managerial difficulties for producers as can be witnessed by talking to producers who are growing soybeans or grain sorghum or many of the speciality crops for the first time.

Even if price support adjustments are phased over a 5-year period, land prices will probably drop more than is warranted due to uncertainty as to the effect of the changing levels of support. But at least progressive decreases in support levels will give more time for the future to be known and should result in land prices not dropping to as low a level as they otherwise would.

The question of how to handle the reduction in land values resulting from elimination of present farm programs was debated at length by the Committee. Fairness would dictate a policy of reimbursing those who purchased land at prices including the capitalized value of farm program benefits, but such a policy would be impossible to administer. The question then becomes one of whether the inequities of eliminating the capital value of program benefits for those who paid for them is greater or lesser than the inequities of reimbursing all landowners, including those who neither earned nor paid for the benefits. The Committee felt that the inequities of the latter were greater and, therefore, concluded that land owners should not be reimbursed for their losses.

The Committee would not, however, want to see this issue stand in the way of elimination of present farm programs. Should political realities dictate that payment in total or in part be required, such payment should be made. The long-term benefit to the Nation would justify such a compromise.

OTHER PROGRAMS AFFECTING FARMERS AND FARM INCOME

The Department administers many programs other than price support and direct payments which have an impact on the farm sector and individual participants in this sector. These include credit, crop insurance, market information, domestic and foreign market promotion, and market research and dissemination. The nature and scope of this report prohibits a full and detailed analysis of these programs. What follows are the Committee's views on the general direction that should be taken by these programs and an identification of issues that should be explored in greater depth.

Farm Credit

The credit needs of agriculture are great and will likely increase in the future. Consistent with the objective to assure adequate supplies of food and fiber, the Nation must see that the credit needs of the farm sector are met. But the farm sector, to operate effectively within a free market environment, must not be given a competitive advantage in the capital markets. Discrimination in favor of agricultural borrowers would raise the possibility of over-investment in the farm sector.

There is some evidence to support the argument that our supply management problems are, in part, due to excess availability of capital in the farm sector brought about by discrimination in favor of agriculture in the national allocation of money.[6] Clearly, to avoid excessive availability of capital in agriculture over the long-run, the farm sector should compete for funds in the capital markets along with other industrial sectors. If farmers, in the aggregate, are receiving equitable returns to resources, sufficient capital, barring any imperfections in the capital markets, should be available.

Private lenders, along with the Farm Credit System, should be capable of providing the credit needs of agriculture. The Farm Credit System should continue to compete for funds in the money market; their bonds should remain uninsured by the Federal government and their loans free of any interest subsidy to the borrowers. It will, of course, be necessary for the Department to monitor the credit system to see that imperfections in the money markets do not impair the production of adequate supplies of food and fiber.

The large amount of capital required to develop an economically viable farming operation does serve as a formidable barrier to entry. For this reason, there are those who argue that subsidized credit should be made available to those wanting to enter the farming industry. If farming is to be treated as an industry rather than as a way of life, this position cannot be easily supported. A basic justification for subsidized loans to new entrants, regardless of the industry, is to maintain competition and allow for technical innovation. But in agriculture there are presently too many firms to provide adequate income for all participants, and technical innovation in agriculture has not been, nor will it be in the foreseeable future, dependent on new entrants who require subsidized credit. For these reasons, the Committee recommends elimination of the FHA Farm Ownership Loan and Farm Operating Loan programs.

The FHA Emergency Loan Program needs to be continued. Private sources of capital are not likely to be adequate to cover the credit needs of farmers affected by natural disaster nor are farmers generally prepared to meet the full cost of financing such loans. The Committee would, however, prefer to see increased use of insurance by farmers to cover such losses. In this way, the full cost of risk would be borne by the market system. The Committee feels that the subsidized soil and water loans to individuals and associations and loans to grazing associations need to be fully reviewed. There may exist a need for such loans, but it is unlikely they can be supported on grounds of aiding commercial agriculture or, as they are aligned in the Department's program structure, supporting farm income.

Domestic and Foreign Market Promotion

Domestic Market Promotion: The Committee feels that expenditure of public funds for domestic promotion of agricultural products, or for the administration of funds collected from producer groups for this purpose, is highly undesirable. At any given income, consumers will not likely increase their expenditures for food as a result of market promotion. Trade-offs between commodities might occur, but this is merely benefiting one group of farmers at the expense of another with little or no net social benefit. Expenditures for such purposes and with such known benefits can be justified by commodity groups whereas such expenditures by the public sector cannot. The same holds true for non-food items of agricultural origin. Here the trade-off is primarily with products of nonagricultural origin, but the argument against expenditure of public funds for promotion remains valid as no, or little, net social benefit is gained.

The exception to this line of reasoning would be promotional and educational activities aimed at improving human nutrition. The objective of such a program would have nothing to do with improving farm income, but, rather, would be directed at improving the diet of the target group. The Extension Service's Food and Nutrition Education Program is an example of this type of program. The expenditure of public funds for this purpose can be fully justified; in fact, increased effort needs to be aimed towards improving human nutrition and our knowledge of human nutrition needs.

The emphasis, domestically, is to produce adequate supplies of food and fiber and not to provide adequate demand for the output of agriculture. This being the case, public funds should not be expended on programs whose sole aim is to increase consumption of a particular commodity.

Foreign Market Promotion: National economic strength is dependent, in part, on avoidance of trade deficits over extended periods of time. One clear way to minimize trade deficits is to establish import restrictions. But, the Committee feels that the United States and other countries should strive to relax artificial trade barriers. It would be unrealistic to assume or to propose complete free trade in the near future—the impact on the world economy would be severe. But, steps in this direction need to be taken. Some degree of control will likely be needed with respect to agriculture to avoid dumping, by the United States or other countries, of large amounts of surplus commodities in any given year. Severe changes in the amount of agricultural commodities moving into world trade would exacerbate

[6] "Agricultural Finance Review," Economic Research Service, U.S. Department of Agriculture, August 1971.

the adjustment process in the farm sector throughout the world.

The system of import quotas on agricultural commodities should be reviewed. To the extent that any restrictions are needed, quotas should be converted to tariffs so that the direct effects of restrictions on imports are more apparent to consumers.

Increased reliance on free trade will require stepped up efforts on the part of the United States to compete for world markets. This needs to take the form of improved intelligence of trade potentials by commodity and by country and also promotional activities. Although the private sector expenditures for these activities can be expected, their efforts need to be supplemented and coordinated with public funds. The importance of foreign trade to the U.S. economy and, more specifically, the U.S. farm sector is too great to rely entirely on the private sector.

Crop Insurance

Farmers will continue to need protection from such natural hazards as insect and wildlife damage, plant diseases, fire, drought, flood and wind. If unprotected by insurance, natural disasters could bankrupt farmers. A disaster covering a large geographic area could, in the short-run, impair the Nation's ability to provide adequate supplies of food and fiber.

To the extent that crop insurance is not available through the private sector, it should be provided by the public sector. If provided by the public sector, the premiums charged need to reflect the risk assumed. In this way, the risk of agricultural production can be properly reflected through the marketing system to the consumer.

Production and Market Research

Production Research: The abundance of low-cost food and fiber in the United States can be attributed, in large part, to publicly supported production research and dissemination. These activities must continue if we are to meet the needs of a growing population and compete in world markets. Although the index of output per unit of input increased significantly from 1970 to 1971 (8 percent, due largely to a 5 percent increase in planted acres), the increase in the index from 1961 to 1971 (10 percent) was considerably less than the increase from 1951 to 1961 (21 percent).[7] There certainly is little doubt about the Nation's ability to provide sufficient food and fiber in the immediate future, but these data suggest that, without new breakthroughs in production technology, additional food and fiber will be forthcoming only through use of additional resources.

Public support of such research is needed since it is doubtful that sufficient private resources will be devoted to the basic research from which most major technological breakthroughs originate.

Since agriculture is a polluter of the environment (pesticides, run-off from cattle feed lots, etc.), such research also needs to be aimed at developing technology which will result in food and fiber production with minimum environmental damage.

With the exception of early adopters, agricultural production research has probably had no positive impact on the income of individual farmers. But production efficiency research should not be justified on the basis of increasing farm income. The impact of technological breakthroughs, however, needs to be anticipated and properly considered by the public sector to minimize the social cost of adjustments that technology brings to bear on the farm sector. The development of a mechanized tobacco harvester is a case in point. Adoption of this equipment will greatly reduce employment in the tobacco industry. Development and adoption of the equipment should not be discouraged, but public assistance will be needed to aid displaced workers.

Market Research: In 1971, consumers spent $105 billion for domestic farm foods with farmers receiving $34 billion of these expenditures. The remaining $71 billion was added to the farm value of foods either in the form of manufacturing or distribution services. The magnitude of these costs seem to justify market research. In fact, it might suggest a reallocation of present research funds. In 1970, $111 million of USDA funds were expended for production research while only $46 million were expended for market research. Including state funds, the comparable figures are $242 and $59 million.

Allocation of research funds entirely on the basis of the relative magnitude of the production and marketing subsectors would not be advisable. The proper split, if it could be accurately measured, would be to allocate funds such that the marginal social value or benefit of the last dollar spent for market research equals that for production research. But present distribution of research funds, given the size of the production and marketing subsectors, warrant study. The figures cited for research expenditures exclude private funds; these would have to be taken into consideration in any such analysis.

Public expenditures for market research must be restricted to those areas which result in efficiencies in the food and fiber marketing system or lead to improved nutritional value of food (increased quality in the case of fiber). Research devoted merely to increasing consumption of a particular commodity through changes in form or selling techniques without contributing to increased efficiency or nutritional value must be avoided. Research aimed at developing synthetic food products should not be prohibited. The economic performance of food firms in serving farmers and consumers should receive major emphasis.

Market Information and Monitoring Activities

Transferring the function of supply management from the public to the private sector will increase the information needs of the latter. Only the public sector, with its legislative authority to acquire data from private sources, is equipped to meet these needs. Reliance on the private sector for market information would likely give buyers of farm commodities an unfavorable advantage over producers.

It is important that information be made available for both supply and demand conditions. Present data collection and dissemination activities of the Department are weighted heavily on the supply side. Although not intended, this has given undue advantage to buyers of farm commodities. Both producers and buyers of farm products have access to information on the supply of agricultural commodities, but producers have only limited access to data on the demand side. For example, USDA obtains data on intentions to plant from farmers, but obtains no similar data of purchase intentions of buyers of agricultural products.

The sensitivity of price to available supplies of agricultural products will require accurate projections of domestic consumption and exports. The latter will be extremely important to the effective operation of a free market. Wide and erratic fluctuations in actual exports or large errors in estimated exports would create severe problems for American farmers and, therefore, must be avoided or kept to a minimum. The Department's difficulties with supply management programs have been exacerbated by wide fluctuations in exports of certain commodities. The difficulty has been particularly acute for those crops such as rice, where a large amount of the production typically moves into world markets. These changes in exports have been caused, in part, by Federal policy. To the extent that American farmers fall victim to changes in U.S. foreign policy, the Federal Government must be prepared to provide them with adequate compensation.

There clearly exists a need for the Department to monitor the agricultural economy to assure success relative to the Nation's objective to provide adequate supplies of food and fiber at reasonable prices. This monitoring function will be extremely important during the transition from present programs to a free market environment. We must have available the best possible information with respect to the impact of program changes on farmers and their response to these changes so as to minimize adjustment problems. We must also have information on the changes in the relative bargaining strength of the participants in the industry, factors causing these changes, and their short-run and long-run impact on the industry and the Nation. Such information will be necessary to identify that point at which government intervention into the system is necessary to assure a viable agriculture consistent with national objectives.

Farmer Bargaining

The structure of the agricultural industry (large numbers of geographically dispersed producers and relatively far fewer buyers) has placed the farmer at a disadvantage in dealing with buyers of farm products. To strengthen the position of farmers, cooperative and bargaining associations and marketing agreements and orders have been authorized. The Committee supports assistance to producer cooperatives. Market agreements and orders should be authorized wherever appropriate (as defined by existing legislation). But, the Committee would discourage enactment of any legislation exempting farmer associations from antitrust laws. The long-term effects of such exemption could prove extremely detrimental to the total welfare of the Nation. The policy objective in this area should be to bring about a balance in the relative bargaining strength of producers and buyers without compromising existing antitrust laws or seriously disrupting the marketing and distribution system.

IMPLICATIONS FOR AMERICAN AGRICULTURE AND THE NATION

As stated in the previous section of this report, present programs cannot be eliminated instantaneously. Time must be allowed for the industry to adjust. The most significant adjustment problems will occur in those geographical areas where production is highly dependent on the existence of present program benefits. Development of off-farm employment opportunities or assistance in adjusting to more profitable agricultural enterprises will need to be focused in these areas.

Other than geographical adjustments in production, the effects of the proposed changes will likely be nothing more than a slight acceleration of present trends in the agricultural industry. In the long-run the number of farms as defined at the outset of this report will likely not differ from the number of farms given present programs and policies.

Studies of economies of size in crop farming point out that most production efficiencies can be achieved by modern and fully mechanized one-or two-man farms—the family farm. The family farm will continue to dominate the farming economy, but it will become a larger and more sophisticated unit. The family farm of tomorrow, just as many are today, will be a highly specialized and mechanized business operation, involved not only in production but in processing and marketing decisions as well. Even if farm numbers should drop to 600,000, we should not conclude that the family farm is a dead

[7] "Changes in Farm Production and Efficiency," Economic Recreation Service, U.S. Department of Agriculture S.B. 235, June 1971, together with unpublished data obtained from ERS.

institution. If there had been only 600,000 farms in 1970, sales of the average farm would have been about $90,000. This is well within the range of a one- or two-man operation for most agricultural enterprises.

But we do not feel it necessary to prescribe the number and size distribution of farms needed for an efficient agricultural system in the future. Individual farm size will be largely determined by how well each unit carries out its production and marketing activities in relation to all other units. Under an efficiency criteria, a production-distribution system can encompass farms of various sizes and numbers. Our major concern is not whether agriculture is composed of many small farms or few large farms, or some combination of number and size of farms. Rather, it is focused on how commercial agriculture in the aggregate can best serve the desires and needs of the Nation while adequately rewarding its own participants.

Removal of the government from supply management activities will likely accelerate integration in the agricultural industry. But integration should not be confused with corporate takeover of farming operations. While most indications are that farming will be part of a highly integrated production-marketing system, we do not feel that large nonfarm corporations pose a major threat, or will play a dominant role, in tomorrow's integrated agriculture.

There is a pressing need for production at the farm level to be geared more closely to final market demands. It is to the advantage of both the farmer and processor to minimize uncertainty. And, for reasons of efficiency and lower food prices, it is also to the advantage of the consumer. Producers must intensify their search for ways of becoming a vital part of the total process by which consumer demands for food and fiber are met.

Eric Thor identifies four types of industry organization that seem to be developing to meet these needs:[8]

1. Farmers organized into bargaining associations to negotiate price and terms of contract with processor and packer.

2. Large investor-owned, food-converting corporations integrated from the ultimate consumer back into farming.

3. Fully integrated multiple-product farmer cooperatives.

4. Joint ventures between farmer cooperatives and investor-owned corporations.

The direction in which agriculture is headed, and its implication to the Nation's farmers, should be obvious. In order to play a viable role in the future, today's producer must align his production, through the distribution system, more closely with the requirements and demands of the final consumer. The possible structural arrangements mentioned by Thor are potential vehicles through which this meshing process might occur. No doubt others could be identified. The Committee endorses public policies designed to assist agriculture become more market-oriented. The alternative is a higher cost industry—one which retains inefficient production patterns and inefficient producers dependent on income transfers from the rest of society. There is, of course, need to monitor these developments to assure maintenance of a highly competitive industry.

These trends—reduction in farm numbers and increasing coordination among industry sectors—are consistent with the basic policy framework of the Committee. It is important to note that these trends are taking place today. Existing policy and programs, with their annual cost of $4–5 billion to American taxpayers, are leading us in the same direction as the much less costly policy and programs proposed by the Committee. Agrarian fundamentalists shudder at the thought of fewer farms or the loss of independence of our American farmers as a result of integration such as has occurred in the broiler industry. To a large extent it has been the agrarian fundamentalists who have created and perpetuated our present policy and programs. But that which they want to protect or preserve is not being protected or preserved with present programs.

While evidence can be brought to bear in support of either position—an efficient agriculture with resulting bigness, integration, etc., vs. preservation of traditional agrarian values with small independent farms and farmers—the Committee's set of values leads it to place greater emphasis on an efficient agricultural industry. We feel the agricultural industry can provide adequate supplies of food and fiber at reasonable prices and equitable returns to resources, including family labor, with a minimum of government intervention. Programs costing the U.S. taxpayers $4–5 billion annually are not needed for these purposes.

It is a political reality that society which is 95 percent urban will be directed by urban priorities and these priorities will call for an agriculture which provides adequate supplies of food and fiber at reasonable prices. It would seem unlikely that they would be willing to pay the cost, either in the form of taxes or higher food prices, that would result from efforts to maintain large numbers of totally independent farmers. An efficient agriculture may, however, conflict with urban desires to improve the quality of the environment. Action taken in recent years indicates that society is willing to make some sacrifice in efficiency to gain environmental benefits. The Committee recognizes the need to improve the quality of the environment. But the consequences of actions to accomplish this end, both benefits and costs, must be fully explored and made an integral part of the decision-making process.

IMPROVING THE LEVEL OF LIVING IN RURAL AMERICA

The Committee's recommendations remove from agricultural policy the welfare considerations of small farmers and other rural residents. Present farm programs have attempted to combine the objective of maintaining a healthy agricultural industry and the objective of improving the welfare of small farmers. Our attempt to accomplish both objectives by a single approach has been inefficient in meeting the former and ineffective in meeting the latter. Removing from agricultural policy consideration of the small farmer and other rural residents does not imply removal of their problems from consideration by the public sector. But as pointed out earlier in the report, agriculture cannot be looked upon to provide employment opportunities sufficient to maintain the present rural population. If rural towns and communities are to survive, and hopefully grow, more off-farm employment must be found.

The purpose of this section of the report is to present the Committee's views on what must be done to revitalize our rural communities, to tackle present rural problems, and to adjust to present trends that may be accelerated if our other recommendations are adopted.

Rural America today—and beyond

The plight of our rural people has been well documented. In recent years, many task forces and commissions have been established to study and develop remedies to alleviate the problems of rural America. While descriptions of the problem and recommended remedies are in ample supply, direct action taken to implement the recommendations has been limited. A recent report of the Senate Committee on Agriculture and Forestry noted that while much has been done for rural people there are also many gaps which must be closed.[9] The report stated that "often the Federal response to the recommendations of the rural poverty report was a series of pilot programs, which, when they proved their merit, were discontinued. These projects were often begun with great fanfare, indicating to rural people that the government was going to get something done, and then the fanfare withered away into crushing disappointment."

The basic problem in rural areas is reflected in the history of relative rural population decline. In the past 5 decades, while total U.S. population has increased from 106 million to 203 million, the rural population has remained steady at just about 50 million.[10] The farm sector of the rural population, however, has declined from 32 million in 1920 (three-fourths of the total rural population) to fewer than 10 million (one-fifth of total rural population). Although the rate of movement of people away from farms has remained high, the number of people involved has dwindled, as the size of the farm population has declined.

While the farm population continues to decline, there is evidence of a net increase of people moving into rural areas. From 1960–70, the rural counties of the country grew in population by 6.7 percent, while the urban counties were gaining by 16.6 percent. However, if the farm population, with its pronounced downward trend, is subtracted from the total rural population, one finds that the nonfarm rural population (which comprised the great majority of all rural people) rose by 19 percent in the 1960's. Thus, the heavy decline of farm population has tended to mask the rapid growth of the nonfarm segment of the rural and small city population. In the 1960's, about 200 nonmetropolitan towns of 10,000 to 50,000 population grew by 15 percent or more; that is, at a rate above the national average of 13 percent, thus implying net immigration.

Although per capita income in rural areas has been rising at a faster rate than in urban areas for the past 40 years, the percentage gain has not been fast enough to narrow the gap between rural and urban incomes. In fact, the dollar gap has widened over the years. Rural personal income, which increased at an average of 7.4 percent per year compared with 5.9 percent in urban areas, would have had to grow at the rate of 8.5 percent per year for this 40-year period to have closed the gap.

In spite of improvement in rural income in the 1960's, there remains a disproportionate extent of poverty among families outside urban areas. The rural areas, accounting for about a quarter of the population, have 49 percent of the Nation's poverty and 59 percent of the substandard housing.

The present rural welfare situation is worrisome just on the basis that an important segment of our society is locked into a life devoid of the opportunities generally available to our nation as a whole. But it deserves concern for other reasons. This Nation needs to look increasingly to the rural sector to house and employ our still-growing population if we are to avoid further concentration of people in urban areas. In this regard, the Committee is impressed with and endorses the related recommendations of the President's Task Force on Rural Development and the National Goals Research Staff.

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[8] "Increasing Understanding of Public Problems and Policies" Farm Foundation, 1971.

[9] "Effectiveness of Implementation of the Recommendations of the Presidential Commission on Rural Poverty," 92nd Congress, First Session, November 30, 1971.

[10] Data presented in this section of the report were obtained from publications issued by the Economic Research Service titled "The Economic and Social Conditions in Rural America in the 1970's," May 1971 and "Rural Development Chartbook," March 1971.

The thrust of their recommendations is that a national population distribution policy will be required for a more deliberate and planned dispersion of our total population. If this is to occur, the rural sector will have to offer realistic alternatives to the opportunities for jobs and basic amenities of life which exist in the urban sector.

Programs for action in rural America

The Committee has reviewed various program proposals for upgrading rural America and recommends Federal action in the following areas.

Income Assistance

Change often takes place at a greater rate than to which the economy, through normal forces, can adjust. During such periods, people are often without a source of income. Also, many poor, both urban and rural, are unable to earn a living because of age, illness, or other disabilities. The Nation has long recognized this problem and, over the years, has developed a series of programs aimed at providing income supplements to needy people. Although initiated with good intentions, the existing welfare programs have evolved into a bureaucratic nightmare. They have done more to perpetuate than eliminate poverty. For this reason, the Committee strongly supports the proposed Family Assistance Plan. Welfare reform is long overdue and must be given highest priority by both Congress and the Administration. Although applying equally to both urban and rural people, welfare reform would serve as a basic element in the development of programs to improve rural America.

The Committee feels that the Family Assistance Plan must incorporate the following features. First, payments to rural and urban people should be equal except for adjustments in cost of living. Second, eligibility standards should be established at the Federal level. Third, all payments should be in cash; payments in kind, e.g., food stamps should be eliminated. Fourth, the Plan should be financed through the Federal tax system. Payment in excess of the Federal minimum or to people not meeting Federal eligibility standards should be financed entirely by State and local governments.

Job Training

Greatly improved educational and vocational training are needed so that rural communities can adequately supply skilled labor and encourage new industry and business to their communities. Effective programs must meet needs of both workers and employers. Rural areas are now getting only about a third of their fair share (based on population) of present manpower development and training programs. Rural residents should have better access to these programs. Such efforts as the Concerted Services in Training and Education (CSTE) and Operation Hitchhike, as well as the Education and Employment Service program, should be expanded to assure that those transferring out of agriculture and other rural residents have the opportunity to upgrade their skills and have access to the full array of manpower services.

Rural Industrial Tax Credits

An attractive tax credit on plant and equipment should be offered new industries which locate in rural areas. Such an incentive would attract more industries to rural America and provide job opportunities locally so residents would not be forced to migrate to other areas. The tax credit could be a flat rate for all rural areas, or it might be graduated upward as one moves away from the large metropolitan centers. An objective should be employment of a substantial portion of local labor in relation to the skilled labor which might be imported from outside the community.

Such tax incentive should be granted through the Federal tax system. Local communities have often given tax privileges to new industries only to find they have insufficient revenue to meet the increased demand for services-schools, sewers, streets, hospitals, etc. Since both urban as well as rural people will benefit from a more even distribution of industrial production in the United States, it seems only proper that both should share in the cost.

Rural Development Credit Bank

A credit system should be established to make credit available for construction of community services and facilities and housing. The credit should take the form of insured loans.

Research and Technical Assistance

Research on the complex problems of rural development should be encouraged in both private and public institutions. This research must be applicable to the problems of local communities. The rather limited amount of research directed toward rural development has been largely descriptive or fundamental long-term research generalized so that it applies to the numerous and various situation found throughout the country. While such research serves a useful function in the formulation of national programs, it is of limited value to individual rural communities.

Most rural communities cannot employ officials on a full-time basis who are capable of formulating and implementing long-term development plans. Lack of such technical support has placed rural communities at a distinct disadvantage relative to urban towns and cities. To help fill this gap, the Committee recommends that technical advisors trained in community planning be made available to rural communities. The organization and funding arrangements for this could be patterned after the system developed to provide technical assistance to farmers. The land-grant universities and other state colleges and universities should be made an integral part of the system.

National Growth Policy

To assure a sound pattern of development in rural America and proper use of natural resources, the Committee recommends development of a national framework for land use planning. The Committee believes it is the responsibility of the Federal government to analyze the various consequences of alternative growth strategies, choose among them, and delineate a national growth policy. All Federal programs, including tax policies, transportation, housing and urban development, resource conservation, and welfare, must be oriented toward attainment of the goals of that policy. To accomplish this will require a major, Federally coordinated analysis of natural and other resources we have available to meet existing and known future national needs. The approach suggested in the proposed land use policy legislation cannot do this kind of job. It does encourage a stronger state role in assuring land use planning on a local level—an essential first step. But it does not acknowledge the need for overall Federal guidance of growth and development.

Getting the Job Done

In this section, the Committee has reiterated an oft-repeated agenda for meeting the problems of Rural America. The critical issue is how to mark these agenda items "accomplished."

The Committee does not plan to suggest what specific agencies in government should do the jobs needed to upgrade the rural sector. However, a visible, specified, cabinet-level body or official must be designated to coordinate rural development efforts. Rural America must have a real voice with the power to assure that the voice is heard and heeded. Improvement of the rural sector must be a national goal affirmed by action programs designed to meet specific objectives. The Committee firmly believes that stronger national direction is imperative and, therefore, does not believe the Rural Community Development Revenue Sharing proposal should be the principal thrust toward improvement of the rural sector.

The rural emphasis we suggested here does not necessarily imply that existing Federal housing and planning programs be split into rural and urban components. But the leadership emphasis recommended, along with the rural directed programs suggested above, are essential to assure balanced consideration of rural concerns within the present Federal structure. Existing general programs are biased toward the urban sector. The Department of Agriculture, although it may speak for rural America, does not have the force of program options at its disposal.

A MOMENT IN AMERICAN HISTORY

(Mr. STAGGERS asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. STAGGERS. Mr. Speaker, the distinguished Senator from West Virginia, the Honorable ROBERT C. BYRD, majority whip of the Senate, used this striking phrase at an impressive ceremony far back in the hills of our wonderful State last Saturday, June 17.

The occasion was the dedication of a permanent memorial to Nancy Hanks. The place was the birthplace of this remarkable woman. The sponsoring agency was the Historical Society of Mineral County.

Forty years ago a stone marker was set up on the site. But due to neglect it was difficult to find in open country. Recently a camp for young people has been established there, and arrangements have been made to assure the mother of Lincoln the respect that is due her.

Considering the difficulty of access, a large crowd assembled for the ceremonies. The Governors assistant presented a State flag, and it was my privilege to present a flag previously flown over the Capitol. Both will be on display at the site daily.

Senator BYRD's dedication address pointed clearly and forcefully to the significance of a moment in history. His address demonstrates that he has equal claims on our admiration and respect as an orator. Both his subject and his treatment of it should be of interest. I include it in the RECORD:

SPEECH BY ROBERT C. BYRD, A U.S. SENATOR FROM WEST VIRGINIA

Mr. Chairman, Congressman Staggers, ladies and gentlemen:

It is indeed a pleasure for me to be with you on this occasion, when we are gathered to mark a moment in American history. I have always thought it unfair that, throughout the ages, so many great women have been born to blush unseen, because of the brilliance and success of the men they mothered or married.

The whole world knows of the greatness of Abraham Lincoln. The world is very apt to forget that the qualities that made him great were born and bred into him. I am not a student of genetics, but Nancy Hanks, whose birthplace this is, undoubtedly had a major influence on President Lincoln's life.

Every American schoolchild knows that Abe Lincoln was born in a log cabin in Kentucky, but I wonder how many of them know that his mother was also born in a log