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Critique of Senate Bill 2626 The Proposed "Consumer and Agricultural Protection Act of 1978"

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Critique of Senate Bill 2626

The Proposed

"Consumer and Agricultural Protection Act of 1978"

by

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Many farmers and ranchers are now facing severe financial stress. Since 1974, farm prices have been seriously disadvantageous to farmers. In these conditions, I accept the premise that farm prices are unacceptably low. There seems to be some sentiment to come to the aid of farmers, but hard decisions must be made in the face of lack information and a lot of misinformation.

Goals of Farm Policy

In the past, agricultural policy has been dictated too much by the political emergencies of the moment. A longer-term, more consistent approach is urgently needed. As a beginning, we assert that there are several legitimate goals of farm policy. Among appropriate goals and purposes are at least the following:

1. Abundant supplies and reasonable prices to consumer. Surely as a nation we want to perpetuate the great legacy of abundance that we

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2/ Professor and Head, Department of Economics, Utah State University Logan, Utah.

3/ Many of these are mentioned in Brandow, G. E., "Issues in Food and Agricultural Policy--An Evaluation of Policy Instruments," Paper presented at National Public Policy Education Conference, Zion, Illinois, September 15, 1976. As Brandow notes, some of these are conflicting, and opposing views arise.
enjoy here. The vast productivity of agriculture has given us this invaluable position. Farm productivity has released the manpower and other resources from the farms so that we can enjoy the fruits of resource use in non-farm pursuits.

2. **Stability of market supplies and prices.** The extreme sensitivity of agricultural markets to shifts in supply and demand has led to risk and loss to producers, dissatisfaction of consumers, and reduced efficiency in farming and the food industry. A reasonable task is to bring more stability to markets for food. It is reasonable to insulate from short-term swings in supplies or demands, but not possible or desirable to maintain "normal" prices only by use of storage plans in the face of long-term burgeoning surpluses or enduring scarcity.

3. **Income enhancement for farmers.** There seems to be some sentiment for helping farmers in their plight of low returns to their resources used in production. The question is complicated by some producers doing very well because of their great efficiency or low debt position or other factors, while many other farmers are for various reasons in danger of losing their equity. Serious arguments arise with respect to measures that would enhance the position of large vs. small producers and vice versa.

4. **Low cost for government agricultural programs.** Payments, food stamps, administrative costs, and other items may be a considerable burden on taxpayers. Added inflation may result. Most everyone would agree on the desirability of minimizing government costs.

5. **Preservation of freedom of choice.** The matter of individual freedom to respond to incentives and the option to choose among alternative courses of action are fundamental issues. Certainly, economists
use as a model of efficiency the notion of perfect competition. While this is an abstraction that does not really exist, it is true that encumbrances or departures from perfect competition on the part of individual entrepreneurs reduce the efficiency of the economic system.

6. Aid to poor countries. Most Americans find it acceptable and desirable to share the abundance they have with less fortunate people. The more difficult question is how this is to be accomplished. It is by donations or subsidized sale, providing expertise to enhance their own system, or by direct financial aid to these people with which they can buy food or other items?

7. Expansion of foreign markets. The United States has had a balance of payments problem, especially since the large oil imports have become commonplace. Export of agricultural commodities has been a major off-setting factor. Farmers and the nation in total have a stake in market expansion.

8. Provision of a storehouse for emergencies. It would seem that as rich as we are and as capable as we are of producing large quantities that this nation can well afford to stockpile more than a few weeks' of basic commodities. We have tended to view these as burdensome in the past, and their existence has depressed prices. Perhaps an attitudinal change is required to view a larger carryover as being desirable. That which is undesirable is continued build-up after an adequate storehouse is achieved. A storehouse is certainly consistent with stability; but, as it has been viewed in the past, it has been a serious depressant on commodity prices.

9. Minimal adverse impact of commodity programs on other commodity producers. It is well known that high-feed grain prices are undesirable
for livestock feeders, at least in the short run. It is essential that one program does not disrupt and throw other programs into disarray.

With the preceding goals in mind, I would comment on particular provisions of SB 2626. It will be appropriate to mention each of several major aspects of the bill.

COST OF PRODUCTION PRICE

Since I was in graduate school in the late 1950's and early 1960's, the agricultural policy analysts have been discussing the long-run excess capacity to produce agricultural commodities in the U.S. Continuing indications have been given that agriculture would suffer if production went unchecked.

In its simplest form, the problem of unacceptable farm commodity prices is a problem of excess supply. Frequently, it has been asserted that the laws of supply and demand are no longer working. Such is not the case. The results of the working of the laws are distasteful to some, but the system is working.

Consider the following simple characterization of workings of supply and demand in Figure 1. Assume that price $p_p$ is deemed appropriate and acceptable as a goal for a particular commodity. Demand is depicted by DD, which indicates that as prices decrease, the quantity taken by consumers will increase. Supply is SS, which suggests that as price rises or as price is expected to rise, producers come forth with a larger quantity of production. Supply and demand intersect such that price is $P_1$ and quantity produced is $Q_1$. Unfortunately, price $P_1$ is well below the accepted goal.
Figure 1. Supply and Demand--Showing resulting price and quantity as well as price goal.

The reason for the country's achieving the excess supply capacity is because of the vast productivity associated with improvement in technology. Seed, fertilizer, irrigation, better tillage through mechanization and other related factors have thrust American agriculture into a situation not common to other countries of the world. Efficient producers can continue to improve and lower costs of production to add to the capacity of the system. There are ineffective brakes on this giant machine since producers have no option but to continue to produce even more to try to cover at least the out-of-pocket costs of production. There may be little or no income left over to cover fixed costs such as is incurred by ownership of land or for other costs already sunk. These costs go on whether production takes place or not. Thus, farm producers are unlike other sectors of the economy. It would be foolish to expect farm machinery makers to build so much machinery that prices fall and
machinery manufacturers produce themselves into bankruptcy. Most sectors have such control. Agriculture does not. Because of this difference, many would justify some program to stabilize and support agriculture.

Frequently, we have heard that farmers are producing their goods at below the cost of production. This has several possible interpretations, depending on which factors are included and whether we are talking about the most efficient or least efficient producers.

It is a misconception to suppose that a single figure on cost of production is applicable to all farmers. There are as many situations as there are farmers. In general, cost of production might be characterized as in Figure 2. Each dot on the graph represents the average cost of production for a given farmer for a specific commodity for a particular year. Of course, in reality there are many more producers than dots on the graph.

Figure 2. Average cost of production related to size of enterprise.
There are many factors which affect costs, certainly size of enterprise is one of them. The general relationship can be characterized as the line LAC. Let us assume that the average cost value for all these individuals is $C_1$. At this point, about one-half of the producers can produce at a cost less than the average and one-half only at more than average. If it happened that the sale price was exactly at the average of all producers' costs, some would make money and some would lose. Some would want to increase their business because of the high profit potential and others would want to get out of the business or make some other change because they were losing money. The important thing is that any reasonable sale price will make some rich and some will become poor. If the price is high, more will become rich; if it is low, more will become poor. If sale price is established at a high level, then there are powerful incentives for many to increase production by many and diverse means. Some of these can be monitored and controlled while others cannot.

A cost of production price has been indicated in S. B. 2626 as a kind of support or target price. With all of the problems mentioned above, it is perhaps worthwhile to list some standard data for a few areas. The Department of Economics, Utah State University, has a set of cost data for 1977 (see Table 1) for selected crops in Utah.\(^4\) The data from U. S. Department of Agriculture indicates that farm costs have been inflating at a rate of 7.6 percent per year from 1967 to 1977.\(^5\)


Table 1. Cost of Production for 1977 for Selected Crops by Land Class with Factors Added to Inflate Costs to 1978 and to Provide for a Land Charge

<table>
<thead>
<tr>
<th>Land Class</th>
<th>Commodity</th>
<th>Units</th>
<th>Costume Per Unit-1977 (dollars)</th>
<th>Per Unit Cost for 1978 (dollars)</th>
<th>Per Acre Land Charge (dollars) per acre</th>
<th>Production Per Acre (Tons)</th>
<th>Cost Per Unit for 1978 with Land Charge (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Alfalfa</td>
<td>Ton</td>
<td>35.84</td>
<td>38.49</td>
<td>144</td>
<td>4.5</td>
<td>70.49</td>
</tr>
<tr>
<td>II</td>
<td>Alfalfa</td>
<td>Ton</td>
<td>36.77</td>
<td>39.71</td>
<td>120</td>
<td>4.0</td>
<td>69.71</td>
</tr>
<tr>
<td>III</td>
<td>Alfalfa</td>
<td>Ton</td>
<td>40.86</td>
<td>44.13</td>
<td>104</td>
<td>3.0</td>
<td>78.80</td>
</tr>
<tr>
<td>IV</td>
<td>Alfalfa</td>
<td>Ton</td>
<td>44.48</td>
<td>48.04</td>
<td>88</td>
<td>2.5</td>
<td>83.24</td>
</tr>
<tr>
<td>I</td>
<td>Barley</td>
<td>Bu</td>
<td>1.34</td>
<td>1.45</td>
<td>144</td>
<td>90.0</td>
<td>3.05</td>
</tr>
<tr>
<td>II</td>
<td>Barley</td>
<td>Bu</td>
<td>1.43</td>
<td>1.54</td>
<td>120</td>
<td>80.0</td>
<td>3.04</td>
</tr>
<tr>
<td>III</td>
<td>Barley</td>
<td>Bu</td>
<td>1.62</td>
<td>1.75</td>
<td>104</td>
<td>65.0</td>
<td>3.35</td>
</tr>
<tr>
<td>IV</td>
<td>Barley</td>
<td>Bu</td>
<td>1.87</td>
<td>2.02</td>
<td>88</td>
<td>50.0</td>
<td>3.78</td>
</tr>
<tr>
<td>I</td>
<td>Grain Corn</td>
<td>Bu</td>
<td>1.35</td>
<td>1.46</td>
<td>144</td>
<td>140.0</td>
<td>2.49</td>
</tr>
<tr>
<td>II</td>
<td>Grain Corn</td>
<td>Bu</td>
<td>1.55</td>
<td>1.67</td>
<td>120</td>
<td>100.0</td>
<td>2.87</td>
</tr>
<tr>
<td>I</td>
<td>Corn Silage</td>
<td>Ton</td>
<td>11.16</td>
<td>12.05</td>
<td>144</td>
<td>20.0</td>
<td>19.25</td>
</tr>
<tr>
<td>II</td>
<td>Corn Silage</td>
<td>Ton</td>
<td>11.55</td>
<td>12.47</td>
<td>120</td>
<td>18.0</td>
<td>19.14</td>
</tr>
</tbody>
</table>
Certain problems arise in this situation. Young farmers find they cannot buy land, farm it, and pay out on their investment. In many cases, the American dream of climbing the agricultural ladder to ownership is thwarted. On the other hand, if prices and incomes are boosted to where there is a substantial return to land in farming, there is some reason to expect a further bidding up of land prices to where again there is a low imputed return to land. Much of the contention on whether incomes and return in agriculture are adequate revolves around the question of how returns on the land investment are handled. As an illustration, assume as in Table 1 that Class I irrigated land is selling at $1,800 per acre (Class II, III, and IV are assumed to be worth $1,500, $1,300, and $1,100, respectively). On the Class I land, 90 bushels per acre of barley can be grown. Costs of production other than for land are about $1.45 per bushel. If interest on the land is 8 percent, the investment cost is $144 per acre ($1800 \times 0.08). For each bushel, the land charge would be $1.60. What is the cost of production of barley, $1.45 or $3.05 per bushel? What is our goal on land ownership? Is it desirable to further push up land prices? These are unanswered questions. Certainly, there is a point that a young or beginning farmer must have returns to land in order to buy land. Government rate allowances for regulated public utilities certainly provide for a return to fixed investment regardless of whether their value is inflating.

As further evidence on cost of production in the Western States, a Wyoming bulletin lists the costs of producing dryland wheat, including a land charge, as $3.29, $3.77, $4.53 for production of 30, 25, and 20 bushels
per acre, respectively. These are values for 1975-76. These, too, are subject to inflation of 8 percent per year, or an increase to $3.85, $4.41, and $5.30, respectively. The middle value of $4.41 would reflect the average production of 25 bushels per acre.

In an Oregon bulletin, which also includes a land charge, the 1976 cost is cited as $4.03 per bushel for dryland wheat. Again, applying the cost of inflation to bring this to the current year, the cost would be $4.72 per bushel.

Comparison of these examples of costs, the current parity prices, and the current market prices for commodities is in Table 2. Note particularly the discrepancy in grain prices and costs. Livestock prices are also a problem which leads to the general situation of low farm incomes.

In considering the cost of production basis for pricing, it is interesting to note the USDA production costs by region and the related projections by Doane Agricultural Service. As an example, the following data in Table 3 are cited. These data are for hard red winter wheat. Similar relationships exist for other commodities.

Perhaps again the two most important aspects of this information are that land charges are a large component of the cost of production, and that as other costs may be lower in a certain region land costs tend to be high. Certainly one would expect a producer to pay more for land where he could produce at lower cost.

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Table 2. Comparison of Costs, Parity, and Selling Price for Selected Commodities

<table>
<thead>
<tr>
<th>Crop</th>
<th>Unit</th>
<th>January 1978 Parity</th>
<th>Current Selling Price</th>
<th>Example Costs with Land Charge Included&lt;sup&gt;a/&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Wheat</td>
<td>Bu.</td>
<td>$ 5.00</td>
<td>$ 2.70&lt;sup&gt;b/&lt;/sup&gt;</td>
<td>$ 4.60</td>
</tr>
<tr>
<td>Barley</td>
<td>Bu.</td>
<td>3.08</td>
<td>2.02&lt;sup&gt;c/&lt;/sup&gt;</td>
<td>3.10</td>
</tr>
<tr>
<td>Corn</td>
<td>Bu.</td>
<td>3.49</td>
<td>2.45&lt;sup&gt;d/&lt;/sup&gt;</td>
<td>2.68</td>
</tr>
<tr>
<td>Hay (Baled)</td>
<td>Ton</td>
<td>70.60 (all hay)</td>
<td>56.00&lt;sup&gt;e/&lt;/sup&gt;</td>
<td>73.00</td>
</tr>
<tr>
<td>Corn Silage</td>
<td>Ton</td>
<td>NA</td>
<td>18.83&lt;sup&gt;f/&lt;/sup&gt;</td>
<td>19.20</td>
</tr>
</tbody>
</table>

<sup>a/</sup> Estimated from preceding data.

<sup>b/</sup> #1 Hard Red Winter Wheat, Average Protein, at Ogden, Utah, as of February 22, 1978. Source: Utah-Idaho Grain Exchange, Ogden, Utah.

<sup>c/</sup> #2 Barley, 46 lbs. or over at Ogden, Utah, as of February 22, 1978.

<sup>d/</sup> Average price for 1977 in Utah. USDA, Statistical Reporting Service, Salt Lake City, Utah.


<sup>f/</sup> Estimated from feeding value and hay price.
Table 3. Projected Hard Red Winter Wheat Production Costs, 1978

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Unit</th>
<th>Central Plains</th>
<th>Southern Plains</th>
<th>Northern Plains</th>
<th>South-West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per acre, excluding land</td>
<td>$</td>
<td>65.90</td>
<td>72.47</td>
<td>61.03</td>
<td>143.42</td>
</tr>
<tr>
<td>Current land charge/acre</td>
<td>$</td>
<td>32.13</td>
<td>25.86</td>
<td>43.45</td>
<td>70.96</td>
</tr>
<tr>
<td>Yield per acre</td>
<td>bu</td>
<td>26.8-30.8</td>
<td>21.1-25.1</td>
<td>28.5-32.5</td>
<td>59.2-63.2</td>
</tr>
<tr>
<td>Costs per bushel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total, excluding land</td>
<td>$</td>
<td>2.15-2.45</td>
<td>2.90-3.42</td>
<td>1.89-2.13</td>
<td>2.28-2.42</td>
</tr>
<tr>
<td>Current land charge/bushel</td>
<td>$</td>
<td>1.12</td>
<td>1.12</td>
<td>1.42</td>
<td>1.16</td>
</tr>
<tr>
<td>Total, including land</td>
<td>$</td>
<td>3.27-3.57</td>
<td>4.02-4.54</td>
<td>3.31-3.55</td>
<td>3.44-3.58</td>
</tr>
</tbody>
</table>

A final comment is that government regulation of public utilities certainly provides for a return on land and other fixed assets. Inheritance tax provisions often force sale of land, so that beginning farmers must pay for land whether or not the farm was in the family. In the current situation we give somewhat favorable tax treatment to non-farmers to go into farming, but the price situation and government policy is unfavorable for a farmer to begin on his own in farming. In summary, the question devolves to whether the policy should be to manipulate prices or incomes to an amount above the market equilibrium or not. My judgment is that we must do so by some means for stability and to protect a vital industry. The problem is how to do it most efficiently and equitably. With that, we turn to the section on comments on production adjustment.

Production Adjustment

Alternatives to Supply Control

The government could step in with price support payments to make up the price difference. This might involve direct government payments to farmers. It may be identified as a non-recourse loan at some target price. If the grower finds the market price below the loan rate, he turns the crop over to the government. The government thus accumulates a larger stock. The main objection is usually the government program cost and the complaint that the payments go to large growers. Furthermore, if price support payments (target prices, loan rates, or whatever) are raised significantly, the country faces the almost certain problem of unwieldy surpluses as well as continuing costly payments to farms.
Another option is to disregard commodities altogether and simply make direct income payments to farmers. This is a lot simpler and no more expensive, but generally held to be politically untenable.

The second option is to work on increasing demand. In Figure 3, D'D' represents a new level of demand. At any given price, a larger quantity will be taken than before. The price is forced up to the target at a larger quantity of use than formerly. The very great foreign demand for grains in 1973 was an example of the expanded demand and favorable price. Numerous programs, such as food stamps, school lunch subsidies, and other related attempts have sought to increase demand. These programs have met with only limited success, at best, as far as expanding farm markets is concerned. The basic reason is the inelasticity of the human stomach. The vast majority of Americans have ample food. Some diet
changes would be advisable, but demand expansion is severely limited. More success has been had in attempts of expanding foreign demand. Around the world, bellies are not full; but the countries where people are hungry are the same places where they cannot afford to buy food. Programs in the past (P. L. 480) have sought to combine demand expansion with a price support program. Subsidized sales or gifts to poor countries were used to meet the twin objectives of feeding the starving and using up our own surpluses. Interestingly enough, recipient countries have not always been too pleased with receiving commodities, even as gifts, because of the uncertainty of continued availability and the tendency for local agricultural systems to relax when food is not critically short. Other countries producing for cash export markets have also complained of dumping and price undercutting. On balance, it seems prudent to have a stockpile which can be drawn on for emergency donations for short-term disasters. Other forms of help, such as technical assistance and loans, seem more suited to the development process. Certainly, it seems useful to attempt to develop stable and effective cash markets.

A third option for effecting changes in price is to control supply. In figure 4, S'S' represents a new level of decreased supply. At any given price, a smaller quantity will be produced. Due to the relatively inelastic demands for many agricultural commodities (that is a relatively large change in price is associated with a relatively smaller proportional change in quantity), a small adjustment in supply often provides a substantial price change. Numerous efforts of voluntary supply control have taken place. Killing baby pigs, not planting part of the acres, dumping milk, etc., have seldom, if ever, gotten beyond the publicity
stage. The reasons for the ineffectiveness of voluntary actions lie in the large number of producers who financial capacities to withhold vary widely, whose commitment to a cause vary widely, and whose bankers have varying degrees of sympathy with the program but a certain insistence on meeting the terms of loans. There just is not the incentive to individuals to stick to a voluntary program where others can stand to gain more than the withholder if the non-participant goes right ahead with full production.

The Conservation Reserve, Acreage Reserve, Set-Aside, and other programs have sought to control supply. A major problem is the tendency for poorest acreage to be diverted or set aside; and water, fertilizer,
and other production inputs concentrated on remaining acreage so that production is not much affected. Most such programs have had a government payment for the land taken out of production. This has usually evoked adverse comments on "payments for not producing" and a general wave of antagonism.

A further possibility for supply control is to control imports. This option has a lot of sympathetic supporters. The difficulty is that restrictions on trade curb specialization and efficiency. Other countries cannot buy our products unless they sell us some things for currency. Some control of wide fluctuations is at least warranted.

The SB 2626 proposal is for a set-aside that would control supply by requiring each producer to set aside a portion of his acreage in proportion to the national potential production which is not needed. There would be no government payment, only the supply contraction would support prices. The government would only be charged with enforcing compliance. This would create some problems such as various schemes to cheat on the system. But, overall the system should have appeal to the Congress and others. Although consumers would be hit with slightly higher food prices, the government program cost could be fairly small. Consumer costs will be discussed later.

In review, the basic options for a solution to the problem are few. There can be government price or income supports. Or, there can be demand expansion, or there can be supply contraction, or production adjustment. There is no magic. The government cannot, without cost, make a declaration which cures the problem. There is no easy way out. There are some hard ways out. Basic understanding of the foregoing should help us avoid these pitfalls.
I would like to suggest a modification of the "production adjustment" feature of SB 2626. As the proposal stands, each producer would be required to reduce his size of enterprise. So much of our system depends on large-scale operations that this would quite seriously hamper efficiency of production. The proposal would be strengthened by having a "banking" system. This would improve the efficiency by facilitating transfers of production cuts or production rights among farmers. Inefficient farmers could benefit by selling their production allocation to more efficient operators or to those who might have a machinery complement exactly matched to their acreage. Efficient operators could continue to use their management and other resources to produce goods at low cost.

My recommendation is that the Agricultural Stabilization and Conservation Service Office in each county be authorized to facilitate transactions by acting as an intermediary among buyers and sellers. Bids and offerings would establish the price. Of course, this provision would require establishment, or maintenance, of a normal yield base to serve as the basis for transfer of production rights. Increased freedom to choose the manner and size of operation would result from the banking scheme.

The entire production adjustment provision does limit the freedom of farm operators. On the other hand, grinding poverty is an even more serious constraint. My judgment is that a production management system is advantageous to farmers and consumers alike, if there is a long-term commitment. It is necessary for a stable, viable food-producing system.
Other General Comments

Farmers "deserve" 100 percent of parity. There is no basis in history, equity, or efficiency for this contention. The original parity concept was to compare receipts from farming with costs of production based on the average levels of costs and income for each commodity based on the average levels of costs and income for each commodity in the period 1910-14. Revisions have been attempted in the base period, but the problems remain. The methods of production change; the economies of scale increase in importance, and the comparison is no longer valid. A farm price of product and inputs is measured, but no mention is made of the greatly increased volume that a single producer can generate. And, parity ignores the changes in quantities of various inputs purchased by a farmer. Thus, they measure only a comparison of prices for an outdated set of factors of production and prices of commodities produced. Perhaps a more useful concept would be a measure of parity or equitability of incomes per farmer with other occupations as of right now.

An increase of farm prices of 30 to 50 percent would cause an inflation rate of 6, 8, or 10 percent per year. Some high-placed analysts have made such statements. It seems impossible. In the first place, an increase would be a one-time event. Thus, it is not a rate of inflation which implies a repetitive annual increment to the problem. A one-time rise in prices for farm products would result in the same expenditure by consumers buying fewer goods, or a larger expenditure to buy the same goods. This by definition is a price inflation, but it is a one-time occurrence. Now, how much would this one-time inflation amount to?
Take the following figures. Assume a farm price increase of 50 percent. The farmer's share of the consumer food dollar is about 35 percent. Consumers spend about 18 percent of their income on food. Thus, with the price rise at the farm level of 50 percent the appropriate estimate of inflation (as measured by Consumer Price Index) is $0.50 \times 0.35 \times 0.18 = 0.032$, or a one-time 3 percent increment that would be attributable to a very large increase in farm prices. If lack of competition in the marketing channel leads to larger food price increases being passed to consumers, these increases should not be attributed to the farm price.

There would be a large decline in gross national product and widespread unemployment if farm prices were increased sharply. Apparently, there has been a case of neglect or forgetfulness by some analysts. Clearly, a boost in agricultural incomes would result in increases in employment and in expenditures and investment by the farm sector. This increase would be magnified by the multiplied effect of these farm input suppliers making further investments and expenditures. Our evidence is that farm sector expenditure multipliers are as high or higher as anywhere else in the economy. Thus, we would expect that decreases in economic activity due to a fall in expenditures in non-farm goods would be offset by an increase in economic activity associated with agriculture. We should expect some decrease in economic activity because of higher farm prices and slightly fewer consumer dollars to spend on other goods. But, a reasonable price rise should not provoke any catastrophe.

Consumers object to any increase in food prices. There are indications that consumers have a lot of sympathy for farmers' plight. But the support is limited depending on the extent of impact on the consumer
pocketbook. In Table 4, the results show general sympathy; but when consumer costs are increased up to 10 percent, then the support wanes. Of course, any raise of as much as 50 percent at the farm could be expected to increase food costs by more than 10 percent. According to our earlier calculations, it would be about 17 percent (0.50 X 0.35 = 0.17). Of course, the usual pattern is for the marketing channels to tack on a constant percentage, but lack of a competitive system in the marketing can't be assessed to farmers.

The Harris Poll indicates that a 5 percent increase in food prices would be acceptable to a majority. A 10 percent increase would not.

So the question of public support is met with a mixed reaction for an answer. Only can it be said that agriculture seems to have more support than has been the case sometimes in the past.

Some Final Comments

A few things seem to be evident in reviewing goals and the nature of the problems and possible solutions. We would list the following:

1. It would be prudent and useful to establish a stockpile which would not be regarded as burdensome surplus, but as a useful buffer and insurance. This can be afforded.

2. Farmers are in difficulty. Some worse than others; a few have no problem at all. But, the general situation is that they have done their job so well for us all (and due to the nature of the industry), they have dug a pit for themselves. We assert that some help is warranted to maintain a stable and lively industry.
Table 1. Public Support for Raising Farm Prices Depending on the Effect on Food Price to Consumers

<table>
<thead>
<tr>
<th>Political Philosophy</th>
<th>Political Party</th>
<th>Voted For</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Conservative</td>
</tr>
<tr>
<td>Would you favor giving farmers 100% of parity if that enabled them to make ends meet?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favor</td>
<td>73.6</td>
<td>72.3</td>
</tr>
<tr>
<td>Oppose</td>
<td>15.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Not sure</td>
<td>10.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Would you favor giving the farmers 100% of parity if that raised your food costs 5%?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favor</td>
<td>53.7</td>
<td>53.2</td>
</tr>
<tr>
<td>Oppose</td>
<td>35.7</td>
<td>37.2</td>
</tr>
<tr>
<td>Not sure</td>
<td>10.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Would you favor giving the farmers 100% of parity if that raised your food costs 10%?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favor</td>
<td>19.2</td>
<td>18.8</td>
</tr>
<tr>
<td>Oppose</td>
<td>68.3</td>
<td>68.1</td>
</tr>
<tr>
<td>Not sure</td>
<td>12.6</td>
<td>13.1</td>
</tr>
</tbody>
</table>

3. Various forms of help are possible. We think it advisable to minimize direct government payments while facilitating a mechanism of supply control. However, farmers themselves, because of their large number, cannot manage this in a voluntary way.

4. The productive capacity of agriculture is too great to let it go unleashed. Too many will suffer from the great burdens of overproduction. There will be too great a risk of the system's self-destructing. Agriculture cannot compete unfettered in an economy where other sectors can manage production.

5. Demand expansion has little potential. Continued efforts may be worthwhile, but his is not the basic solution.

6. Parity is a poor measure of equity to agriculture. It is not very useful. It seems evident that an increase of price of agricultural commodities to 100 percent of parity would create too urgent of signals for the system to produce more. Land values would be inflated. It would also cause consumer protest, although the effect on consumer expenditures would be less than some would have us believe.

7. We suggest a program designed to bring agricultural incomes up only part way to what would be implied by the advocates of 100 percent of parity. An immediate sharp increase all the way to parity would cause too much stress in the livestock industry and to consumers, and to foreign markets.

8. Probably none of us would choose to have even infrequent serious shortages of food in preference to over-production problems. Let us take appropriate steps to stabilize and provide for a viable, long-term productive agriculture. Legislation of help to agriculture is immediately needed.