

THE OBSERVATION POST

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A Consumer Views the Agricultural Program

THE ADMINISTRATION's new agricultural program is a middle ground approach. While it endeavors to correct some objectionable and costly features of the present program, it does not satisfy all farmers. It is far from satisfactory from the viewpoint of the consumer whose tax money is supporting agriculture.

Fundamental Considerations

In its approach to the farm problem, the Administration was guided by a number of fundamentals, some of which are considered here:

"A stable, prosperous and free agriculture is essential to the welfare of the United States."

This dictum would apply also to practically all segments of our economy. It is important however, to realize that agriculture is playing a gradually diminishing role in our national economy from the viewpoints of both percentage of population employed and contribution to the gross national product.

"A farm program must fairly represent the interests of both producers and consumers."

The record does not show that consumers were extensively consulted in the development of the new program. There is little tangible evidence that consumers will obtain any direct benefits. Regardless of what happens legislatively to the Administration's farm program, it is doubtful that it will win the support of our consumer population.

Any farm program that is based on the continuation of price supports, production subsidies, and government acquisition and disposition of surpluses should contain provisions to please and appease consumers. If farmers are to be insured against low prices, consumers who pay the insurance policy should be protected against higher than parity prices. Admittedly, the inclusion of such a provision in new legislation would be only a gesture, but it would improve public relations. An impartial study of the procedures and techniques of computing parity would also do much to win acceptance of the parity philosophy.

"However large surpluses may be, food once produced must not be destroyed. Ex-

cessive stocks can be removed from commercial channels for constructive purposes that will benefit the people of the United States and our friends abroad."

The Government has about \$5.5 billion invested in surplus agricultural commodities. The daily storage bill is about \$500,000. Deterioration and losses would probably double the bill. The Administration now proposes to "insulate" about half of its holdings from normal markets and use them for school lunch programs, disaster relief, and to aid the peoples of other countries. It's sort of a magician's act. Now we have the stuff and now we don't.

Somehow the "insulation" or deep-freeze concept does not make the same appeal as the "ever normal granary." There was then the hope that the size and cost of government holdings could be controlled through appropriate legislative or administrative action. The proposed disposition of frozen reserves will only be an incentive to farmers to refill the vacated storage facilities. In some respects the "insulation" concept is merely another device to accomplish the purposes of the rejected Brannan plan. It is in fact a subsidy on past production. It has cost taxpayers \$2.5 billion. In the new program however, the Government and not individual farmers will be given legislative authority to dispose of farm commodities. This new subsidization technique is much simpler than the Brannan plan and will obviate the many possible abuses that could have arisen when millions of farmers were to be given government checks to compensate for sales below support prices.

"A farm program first of all should assist agriculture to earn its proportionate share of the national income."

This is a noble objective. It implies that there is a definite and fixed relationship between the need for farm products and the national income. Food requirements are no doubt related to population and prosperity. So is the demand for coal. Yet the proportionate income to these activities has diminished. The individual farmer and coal miner can, because of technological advances, produce more. Fewer workers, fewer acres, fewer mines are now needed.

Should we subsidize coal miners and mine owners to ensure that they get their former proportionate share of energy costs?

Is New Farm Program Realistic?

The new farm program, despite all the preliminary surveys and studies cannot be labelled a blueprint for progress. It fails to make appropriate adjustments for certain obvious fundamentals:

1. With our present economic incentives for production we can overproduce any farm crop. Our ability to overproduce will continue and should continue. It may continue at a greater rate than the planned reduction in acreage. There is no control on production—only on acreage.

2. No provision is made to prohibit production of commodities already in surplus. If land is diverted from one crop to another already in surplus, there will be no amelioration of the farm problem.

3. The human stomach is relatively inelastic. We cannot wait until 1975 for population to catch up to current food production capabilities. There is evidence that foreign markets will diminish rather than increase.

Reflected in Lower Prices

If part of the billions that go to subsidize agricultural production would be reflected in lower consumer prices, there would be greater food consumption and a more sympathetic acceptance of the new agricultural program. By way of suggestion surplus butter might be diverted to make a 50-50 oleo-butter. The margarine producers could justifiably dislike the idea, even if the new spread sold at the same price as oleo-margarine.

Surplus grains might be sold to non-grain producing areas at relatively low prices to encourage livestock production. Such a practice might increase the production of meat at lower prices. This market is far from saturated. It might also discourage overproduction of grains if such surpluses served to stimulate competition between beef and pork.

These consumer ideas may not be acceptable. They are submitted as a challenge to develop better ones.