Production Efficiency Not Only Solution to Farm Problem

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Prosperity of American farming depends on expanding markets, improved distribution, and agricultural programs consistent with a maximum amount of freedom of choice for the individual

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INCREASING PRODUCTION per man through improved agricultural efficiency is a very important factor in improving farm income and farm living standards. Very few people honestly believe that a farmer can get a high real income unless it is earned. There are other problems, however, which sometimes prevent farm people from actually getting what they earn by a high degree of production efficiency. There are certain factors affecting agricultural prices and farm income which are different from those which determine the income of other groups.

Increased efficiency alone does not prevent a farmer from having trouble. Such natural factors as weather conditions enter the picture, as well as economic factors. Sometimes a large crop brings less net return than a small one.

Farm prices are relatively unstable compared with prices of industrial products, and compared with the prices of goods and services farmers buy. This can give the farmer an advantage when prices are going up, but it puts him in a squeeze when they are going down.

Wide Fluctuation in Prices

Between 1914 and 1948 I sold hogs from \$2.60 to \$31.00 per hundredweight. If hog prices had fluctuated over the same range as the general price level, I would have sold my hogs at prices between \$7.00 and \$18. The fact that agricultural prices, as illustrated by this example, fluctuate much more than the general average of all prices makes it clear that some other prices fluctuate much less than the average.

One of the real difficulties is that some of these prices which fluctuate less than the general price level include elements of farm costs. These are such things as transportation rates, machinery prices, and other expenses primarily tied to hourly wages.

Farm costs went up from \$6.75 billion in 1940 to about \$23 billion in 1952 and are still close to this high level. Farm prices have fallen about 20% since February 1951 as a result of continuing high production and reduced foreign demand. Hence, agriculture is in a price-cost squeeze right now.

Inelastic Demand for Farm Products

The demand for many farm products is relatively inelastic. This means an increase or decrease in the supply of a farm product is often accompanied by a more than proportionate change in the price. For example, if production of a commodity increases 10% and consumer demand remains the same, the price may fall considerably more than 10%.

Despite price supports it is still true that farm prices are largely determined on a free market while many industrial prices are determined by the manufacturer. Industry is far more able than agriculture to cut production and hold prices up.

The record of the depression years furnishes a fine example. From 1929 to 1932, farm prices fell about 56%, while farm production dropped only 3%. In contrast, in the iron and steel industry prices declined only 16%, while production was cut 76%. Motor vehicle prices fell 13% and production 74%. Cement prices dropped 16%, production 55%.

The relative stability of farm production and the relative instability of farm prices justify farmers in seeking a sane price support program. Farmers want assurance that they will not bankrupt themselves by their own productive efforts. But they do not want the Government to guarantee them a profitable price.

The American Farm Bureau Federation seeks a price support program which will give farmers reasonable price protection without government price-fixing. The latter would inevitably bring about complete regimentation of agriculture, reduce the rewards of efficiency, and take away the farmer's opportunity to earn and get a good income.

The present price support program is an outgrowth of wartime production incentives. It is wholly inappropriate to the long range requirements of an efficient, businesslike agriculture.

Farmers want to produce for the market. They want to produce efficiently, applying the results of scientific research. They want to benefit from the American incentive system. In other words, farmers want to retain their freedom of choice in their farm operations, and they want to be able to earn rewards commensurate with their production and marketing efficiency. They do not want to produce for government storage under a system of government-guaranteed profits.

The long range prosperity of American agriculture depends on continued improvements in research and education, expanding markets, improved distribution, and agricultural programs consistent with a maximum amount of freedom of choice for the individual citizen