



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

toward removing whole farms on a large scale in the least productive regions would tend to concentrate the adjustment in certain areas. This would involve major social and community changes in these areas. Such an approach might result in the most efficient agriculture and the least cost to society. This is the type of adjustment that would likely take place under free prices, but at a much slower rate. A program which retired the land more uniformly throughout the United States would result in less violent community and individual adjustments in agriculture. It probably would be more costly to society over the longer run.

A land retirement program will require tax dollars and if effective, will raise food prices slightly. This is the very purpose of the program—to bring about resource adjustment and to decrease output so that farmers may receive returns for their resources more in line with those received by the rest of society. This approach will likewise clearly identify the tax cost of the program.

A question may be raised regarding where such a land retirement program would end. Will technology make necessary an ever-enlarging retirement program with increasing cost to the federal government? Or will demand catch up with supply and make it possible to put the land back into production?

Evidence indicates that the withdrawal problem is likely to be serious if land is taken out uniformly on all farms. For this reason, making the payment on whole farm units in the more marginal areas would appear more permanent and economically sound. To the extent the land is put into grass, timber, or recreational uses, it may stay in those uses if payments are eventually withdrawn. In some areas the land might even eventually be purchased by the government for public use.

Part III. Resource Adjustment Through a Voluntary Transfer of Human Resources Out of Agriculture

*Riley S. Dougan, Extension Economist
Ohio State University*

A. How the Alternative Would Work

One of many different avenues could be taken to encourage the movement of human resources out of commercial farming (licensing, market price, land retirement, etc.) A direct approach would be to offer a given amount of money and special services to certain farmers if they would agree to be employed in a nonfarm job. This money and service should be offered as part of a guidance and training program

to help the farmer locate a nonfarm job and to help the family become established in a different environment.

This alternative would be made available only to "commercial farmers." One of several definitions could be used in delineating these families. The 1954 Census of Agriculture defines commercial farms as all farms with gross sales of \$1,200 or more per farm. Farms having gross sales of \$250 to \$1,199 were included if the operator worked off the farm less than 100 days and if the family's nonfarm income was less than the value of farm products sold. This is the definition used in this analysis.

Further restrictions would be necessary regarding the age and tenure of operators included in the program. This opportunity to shift occupations should be limited to those 55 years of age and under. Also anyone receiving this help would need to show evidence that he had been a farm operator for a period of time (say five years). The offer would be made only to one operator within any one farm family.

The program would be available only during times of nearly full nonfarm employment. This type of incentive would not be at all practical or feasible during a period of nonfarm recession. Also, a like opportunity might or might not be made available to noncommercial farmers.

In this program money should be distributed to farmers through employment agencies or a special agency to assure payment only after the farmer has made his move (or while he is in the process). The farmer should have complete freedom regarding where he will go and a great deal of freedom in choosing his nonfarm job.

Part of the payment to farmers would be in the form of "nonmonetary" benefits. For example, the cost of moving the family to the nonfarm job would vary according to the distance traveled. In some instances no moving costs would be involved. Housing arrangements would be made at the discretion of those moving, but assistance would be available. Also included in "services" would be a training program described in more detail later.

The farmer would be required to sign a contract that neither he nor any of his immediate family would return to the farm for a period of five years (except at the farmer's request in the event of national emergency). Also, the contract would provide that neither the farmer nor any of his immediate family unit could receive such payment more than once.

The land would not necessarily be removed from production. If the farmer wanted to rent the land, and could find a renter, he should

be allowed to rent it. If he did not rent his land, he would need to make some provision for acceptable cover and for weed control. He should be permitted to place the farm in a land retirement program if such a program is available.

Much effort would need to go toward providing such information as: (1) nonfarm opportunities beyond the local levels (interregional shifts) and (2) work level requirements, skills required, qualifications, etc. These should be made available to farmers and nonfarmers alike. They should become part of an extensive and coordinated over-all rehabilitation program to help farmers relocate to other jobs.

An intensive training program should be established to help prepare the participant for a nonfarm job. This program should be directed toward three major areas: (1) training of members of a family who are now farming but who will be available for a job in the near future; (2) training of the entire family concerning various social problems which might arise in the new environment; and (3) intensive training of each farmer who would be making a complete change in his vocation.

The education function could be administered by existing educational agencies in cooperation with employment services and private industries. The nature of the job openings would be different enough to require separate types of training programs. Actually, this phase of the program would vary a great deal according to the family's current situation. This special training should continue for a period of time after the family becomes established in the nonfarm job. Similar training also should be made available to nonfarmers interested in changing jobs.

B. Economic Considerations

1. **RAISING FARM INCOME.** This proposal would not raise net income to all of agriculture. In fact, if we assume that the more inefficient would be attracted by the program, total production might be increased, and prices and total net income might drop somewhat further than it otherwise would.

In 1957 total net income to farmers was about 11 billion dollars. In 1958 this increased to slightly over 13 billion dollars. We might assume that without the program described here (or some other new alternative) net farm income in five years might drop to 10 billion dollars per year. This would be divided among about 4 million total farm operators. Very likely, 9.7 billion dollars of this would be divided among about 2.5 million commercial producers, providing an average net income of \$3,880 per commercial producer.

If the program described above would reduce the number of commercial farm families in the five-year period by 1 million, this would leave 1.5 million commercial producers at the end of the five-year period.

We might assume that larger output and lower price supports would cause some drop in net income to all farmers. Should net income to commercial farmers drop from the anticipated 9.7 billion dollars without the program to 8.8 billion dollars with the program, the result would be an average of \$5,867 per commercial farmer. This represents an increase of \$1,987 per average commercial farmer as a result of the program even if total net farm income were to drop 10 percent. Agricultural productivity would be "upgraded" generally because some present noncommercial farmers would have a chance to attain commercial scale as some commercial farmers moved out and released land.

A major difference between this program and other resource withdrawing programs is that it would not raise prices farmers receive for their products. In fact, for those farmers who were at fairly optimum levels and did not adjust, incomes might drop. However, it would provide more incentive and opportunity for other operators who did not choose to move to a nonfarm job to rent more land and thus improve their production efficiency.

2. **STABILIZING FARM INCOME.** This program in itself would do very little toward actually stabilizing farm prices and income. This is why a complementary emergency support program should go along with this proposal. Such a complementary program would not cost a great deal if it were used almost entirely as a price-stabilizing mechanism rather than a price-raising mechanism. Some stability might be achieved by the program if it results in fewer and more efficient producers, who would be less likely to shift in and out of agriculture. This would cause less variation in supply.

3. **INCREASING EFFICIENCY.** The program should distinctly improve efficiency both in and out of agriculture. Many people would be moved to nonfarm jobs where their labor would be more fully employed producing nonfarm goods for all society to enjoy rather than farm goods already in surplus. Standards of living of the family who moved would probably be raised. Those remaining in agriculture would have a better chance of becoming more efficient. This helps not only to meet the economic objective of increasing efficiency, but it is a very direct approach to the objective of helping farmers adjust to rapidly changing technological development. The tax base would be raised, which could offset the initial cost of the program and contribute to the long-run well-being of society.

4. EFFECT ON SIZE OF FARM. Larger operations would likely result since more land would be made available for renting or purchase by those who move away. Nothing inherent in the program would encourage farming to be done on a scale larger than by one man and his family or by the family plus one or two hired hands. On the other hand, it does nothing to maintain small farm operations.

C. Cost of Proposed Program

The cost of the program described here, of course, would vary with the size of payment to each family induced to move. Five thousand dollars average value of money and services is suggested. This would include \$3,000 cash to be apportioned over a period of perhaps three years, i.e., \$1,500 the first year, \$1,000 the second year, and \$500 the third year. The cost of services provided to the family would be expected to average about \$2,000. This makes the total \$5,000. If this program would cause 250,000 eligible farm families to move per year, the cost would be 1.25 billion dollars.

Other costs such as administration, preparation of material on occupational opportunities, training, etc., would amount to a considerable sum. The average cost of this type activity might be 1 billion dollars per year.

A great deal of the cost of supporting farm products would be eliminated with the program described here. "Programs primarily for stabilization of farm prices and incomes" now cost about 2.5 billion dollars per year. This should be gradually reduced to say no more than .5 billion dollars in any year after the first five years except in case of emergency. The average expenditure for the first five years may be 1 billion dollars per year.

After five years of such a program the number of families that could be induced to move each year would probably be less than 250,000. We might estimate that no more than .5 billion dollars per year (100,000 families) would then be spent. This assumes that a few of the families who have left the farm will return to their farms after their five-year contract has expired.

Consumer costs would not be changed a great deal by the proposed program. Some slight reduction would be expected as price supports are lowered to about market price levels. Such a reduction in food costs might well amount to an average of .75 billion dollars per year for the five-year period.

If the average cost per year during the five years for the incentive payment were 1.25 billion dollars plus price-support activities of 1

billion plus 1 billion for "fringe costs," the gross annual cost would be 3.25 billion dollars. Subtracting .75 billion dollars lower food costs would leave an average net cost of the program of about 2.5 billion dollars per year for the first five years. This does not take into account the increased taxes resulting from increased earnings of those transferring jobs. The program should cost substantially less during the following years. The cost is about the same as for the present farm program. However, under the present system costs likely will become greater instead of less in the future.

D. Other Considerations

1. **FREEDOM.** Compared with some alternatives, this program would provide for a high degree of freedom except for the contract provisions, which restrict occupational freedom to some extent. Program participation would be strictly voluntary. Control programs now in effect would be gradually eased, increasing freedom to others. Price again could be the major determining factor in allocating resources, even for "basic" commodities. Restrictions on alternatives would be at a minimum.

2. **NONMONETARY SOCIAL COSTS.** This program might have quite a social impact upon some communities and regions which experience considerable loss of farm population. The already large burden of providing adequate services such as schools, churches, etc., would become an even greater burden on the remaining population. This social cost is hard to estimate, but would need to be considered. The cost in the communities to which people migrate also needs some consideration. However, considering the many diverse areas of movement, the impact to the communities receiving the movement would not likely be great.

Part IV. Resource Adjustment Through an Effective Production Control Program

*W. L. Turner, C. R. Pugh, and F. A. Mangum
Department of Farm Management and Public Affairs
North Carolina Agricultural Extension Service*

Production control is often considered an effective means of supporting income from many agricultural products. This contention is generally based on the supply and demand conditions of agriculture. While the philosophy of farm policy has embraced supply control, programs have been hampered by an inability or unwillingness to install all the mechanics necessary for effective control. As a result, sur-