



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.*

LAND DIVERSION AND SUPPLY CONTROL PROGRAMS

*Luther Tweeten, Barry Carr, and Gary Allen**

Land diversion and supply control programs have become a significant part of the agricultural establishment in recent years. They have been highly controversial, and the advantages and disadvantages of the programs have been well documented. Proponents argue that the programs have removed the great instability in farm prices and incomes, have provided a strategic reserve of production capacity to meet unpredictable emergencies such as wars and drouths, have provided an orderly outmovement of surplus farm labor, and have conserved farm resources for future generations.

Opponents argue that the programs have cost taxpayers too much money, have benefited only large producers, have regressively distributed income from taxpayers of modest means to prosperous farmers, have diverted public attention and support from the real problems of rural poverty, have interfered with freedom of farmers to produce and market as they please, have lost their effectiveness through capitalization of benefits into land or through slippage (bringing in new cropland, using more fertilizer, etc.), have interfered with commercial exports of farm products, and have caused inefficiency through freezing of production patterns and idling of land resources which have little value for anything but agricultural uses.

A number of suggestions to improve farm programs cover well-plowed grounds. It has been suggested that allotments be made negotiable, that acreage allotments be shifted to bushel or poundage quotas, that "normal" yields be set once and for all so farmers are not encouraged to expand yields to get more payments, that a farmer not be allowed to move allotments from a poor farm which he purchases to the good land on his "home" farm, that the farmer actually receive the market price for his marginal production (rather than a blend price) to constrain output expansion in a two-price or direct payment (grant) program, that long-term land retirement be ex-

*Respectively, Professor of Agricultural Economics; Agricultural Economist with the Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture; and Research Assistant; all at Oklahoma State University. Mr. Carr is responsible only for the section of this paper titled "Program Preferences of Farmers," which is based on a cooperative survey conducted by the Farm Production Economics Division and the Oklahoma Agricultural Experiment Station. The opinions expressed in this paper are those of the authors and do not necessarily represent the views of the Farm Production Economics Division, Economic Research Service or the U.S. Department of Agriculture.

panded to remove marginal land from production and to reduce government costs, that program administration be streamlined at the local level, that payments be cut off or graduated for large farmers, and that program formulation be placed in the hands of an Agricultural Board patterned after the Federal Reserve Board.

Many of these changes in programs have much merit, but chances for any major shift in commercial farm policies seem remote. A review of history suggests that crisis is the major impetus for major policy adjustments. The crisis took the form of extremely low farm income in the 1930's, war in the 1940's, large surpluses in the late 1950's, and farm revolt against mandatory programs in the early 1960's.

Factors that could cause major changes in farm programs in the 1970's include a major shift in the world supply-demand balance for food, unwillingness of farmers to accept current type programs, or serious erosion of farm political strength. Recent legislative action indicates that farm programs still have sizable support in Congress. This paper focuses on the two other potential crisis issues: (1) the world food supply-demand balance and its implications for U.S. agricultural programs and (2) the acceptance of current feed grains-wheat programs.

Farm economic problems and the consequent call for government programs have been explained by asset fixity, rapid improvement in technology, and an unfavorable trend in the world food supply-demand balance. Yet the farm economy has been depressed for an extended period—a period long enough to overcome most asset fixity. Furthermore, demand has expanded faster than supply in recent years. Productivity of farm resources was only 5 percent higher in 1967 than in 1958, and was the same in 1967 as in 1963 (USDA, June 1968). This slowdown in productivity gains, plus new sources of off-farm income for farmers resulted in an average net income per farm of \$9,000 in 1966 and 1967; and farms with gross farm product sales of only \$2,500 to \$4,999 had net incomes averaging over \$6,000 in the two years from all sources. Yet farmers seem to be more concerned than ever about economic conditions.

The favorable net income data quoted above do not include a charge for equity capital, and for operator and family labor. When the latter are included at opportunity levels in farm costs, then receipts do not cover all farm production costs. This problem, reflected in low returns on farm resources, is not really helped by government programs and will remain a persistent problem, whatever the parity ratio, until the structure of farming changes markedly.

INCREASING RETURNS TO FARM SIZE

Numerous studies have documented decreasing average costs and increasing returns to size of farm firms. But the concept has not been related to farm problems. Expansion in the farm firm is generally characterized by increases in the proportion of capital to labor, and of variable capital to fixed capital. These changes result in a sizable reduction in the cost per unit of production.

Evidence of decreasing cost per unit (increasing returns to size) is readily apparent in Table 1. In 1960, the cost of all inputs (including the opportunity cost of equity capital and of operator and family labor) per unit of output (including receipts from farm commodities, nonmoney income, and government payments) averaged \$2.67 on Class VI farms and \$0.91 on Class I farms. Most of the economies of size appear to be achieved by Class II farms, and unit costs decline very slowly beyond an annual output of \$30,000 per farm. Farms with sales under \$25,000 on the average lost money and did not cover all production costs in 1960. Farms with sales over \$25,000 received an economic rent per unit of output.

It may be said that small farms lost money because they paid too much for their land. Land tends to be a complementary input with farm size. There is constant pressure to expand farm acreage to achieve the economies of size. The savings through greater efficiency are bid into the price of land. The actual price of land tends to be that price which will make all costs, including real estate interest, equal to the value of all farm receipts *on an economic size unit*.

Competition in the land market tends to bid the land price to the point where the return on land will be equal to the return on capital in other uses. A potential buyer who is unwilling to pay this price will find land bid away from him by the investor who wishes to maximize returns. And investors will not pay more than this price because a greater return can be achieved on nonland investments. The residual return to land is greatest on large, efficient farms. The law of one price and the large potential number of investors will ensure that the "high" price for land on efficient farms will be the market price of land applicable to all farms.

The small farmer must pay this price or land will be bid away from him by an investor who has or can achieve an economic size unit. Thus the inefficient small farmer actually tends to incur losses if he pays the current land price. And the small farmer who has full equity in land is losing money if a charge is made for the opportunity cost of his owned land valued at the current price of farm real estate.

TABLE 1. OUTPUT, INPUT, AND EFFICIENCY BY ECONOMIC CLASS OF FARMS¹

	Economic Class of Commercial Farms (Sales in Dollars)						Noncom- mercial Farms
	I 40,000 and Over	II 20,000 to 39,999	III 10,000 to 19,999	IV 5,000 to 9,999	V 2,500 to 4,999	VI 50 to 2,499	
1960 input per output (unit cost) (dollars)	0.91	0.95	1.10	1.34	1.69	2.67	2.91
1960 output per input (efficiency) (dollars)	1.10	1.05	0.91	0.74	0.59	0.37	0.34
1960 output if all farm resources had been used with respective farm-class efficiency (billion dollars)	46.9	44.9	38.8	31.8	25.4	16.0	14.7
Percent of all inputs in respective class of farm ²							
1960	24.8	15.5	20.6	16.4	10.0	3.5	9.2
1965	33.5	19.1	18.6	11.3	6.2	3.9	7.4

¹The cost of farm labor was computed as the opportunity wage rate per hour times man hour requirements by farm classes.

²The 1960 and 1965 estimates are not strictly comparable. The farm dwelling interest charge and 60 percent of the auto interest and depreciation are excluded in 1960 estimates to arrive at production inputs. These costs are included in the 1965 estimates because data were inadequate to remove them. Since dwelling and auto inputs tend to be relatively large for small farms, this explains the incongruously larger percent of inputs on the small Class VI farms in 1965 than in 1960.

In 1960 land was *not overpriced* at the margin because large farmers were earning returns greater than needed to hold capital in farming. But land was clearly overpriced for the average farmer who had gross sales under \$25,000.

Class I farms require a substantial input of feed and livestock provided by other farms. Their structure is atypical, and if all farms were organized in this manner, there would not be sufficient intermediate farm inputs. Hence Class II farms provide a more meaningful measure of the potential gain in efficiency obtainable by a more nearly optimum farm size and combination of inputs. If all farms were organized as Class II farms, the actual 1960 total input would have produced an output of \$44.9 billion, or 24 percent above the actual level. If all farms had been organized as those in Class II, only 1.2 million farms could have produced the 1960 output with \$34.5 billion of inputs—19 percent less inputs than the actual total 1960 inputs of \$42.8 billion. Even discounting the crudity of the approach, the results clearly point to large potential efficiency from reorganization of farms into more nearly economic units.

Because most size economies were achieved by Class II farms in 1960, there would have been few economic advantages in having a system of superfarms that would have reduced the number of farms much below 1.2 million. This conclusion applies only to 1960 conditions. In the future the unit costs will be reduced, decreasing the number of farms compatible with maximum production efficiency.

The heterogeneous size structure of farms helps to explain why land is overpriced for most farmers and why returns are low on farm resources of most farmers. It also is a partial explanation of why farm product prices tend to be low. The continued trend toward larger farms, apparent in the 1960 and 1965 distribution of inputs in Table 1, increases farm output. Based on the distribution for these two years and the output-input ratio by class of farm in 1960, output would increase 6 percent, or 1.2 percent annually from 1960 to 1965, due to the change in size distribution with the same total volume of farm resources as applied in 1960. Other things equal, this depresses total revenue as supply presses demand, and creates new pressures for farms to expand in size. Farmers are on a treadmill when they increase size and output because this, in turn, results in lower prices which creates the need for even more adjustments.

The decreasing cost theory is especially instructive in pointing out the permanency of the problem of low returns. An increase in the product price results in a larger residual return to land. The higher land return causes land prices to rise to the point where farm

and nonfarm investors can realize a "parity" return on their investment. This land price is determined at the margin for adequate size units. It follows that small farms will on the average receive a low return on all resources valued at their opportunity costs even with higher farm product prices generated by supply control programs.

The decreasing cost theory of farm problems is related to technology and fixed resources. The ability to expand farm size is linked to the ability of farmers to purchase more land. And the ability to buy land and consolidate farms is linked to the rate at which a neighbor can find employment outside of agriculture. To the extent that education is inadequate to equip farm people for the exodus, that low-income farmers are uninformed or prefer farming as a way of life, and that labor unions and high national unemployment inhibit mobility, the process of adjustment to economic farming units is retarded. Technology, reflected in farm machinery and farm management, is continually changing. Public policy geared to preserve small family farms is likely to perpetuate the large number of inefficient farms. In 1960, only about 10 percent of all farms had an annual output above \$25,000. Public policy must be concerned with getting more of the remaining 90 percent of farms into that category. Farmers will not get off the output-increasing, revenue-reducing, low-returns treadmill until this goal has been achieved. The analysis clearly demonstrates that government programs do not raise the net income to farm labor over extended periods (unless controls and transfer payments are accelerated), but the real contribution of programs is to reduce variation in farm prices and incomes.

FUTURE SUPPLY-DEMAND BALANCE

While the foregoing analysis shows that land diversion and supply control programs do not alleviate the problem of low returns to farm resources, these programs can prevent traumatic problems of adjustment to lower gross incomes as supply presses demand. Whether control programs will be needed depends strongly on the future trend in supply and demand for farm commodities.

Can American Farmers Feed the World?

The phrase, "American farmers cannot feed the world," has become trite. Some simple calculations can check the conventional wisdom expressed in this phrase. The estimates that follow are in terms of corn, but could also be made for substitutes such as wheat, potatoes, and other grains, pulses, and vegetables. Corn will provide 800-1,200 calories per pound. The minimum daily caloric requirements per capita can be met with three pounds of corn-equivalent

per day. With 3.5 billion people in the world, 10.5 billion pounds of corn-equivalent are required per day, or 3,832.5 billion pounds per year.

An estimated 638 million acres are suitable for continuous cultivation in the U.S. and another 169 million acres are suitable for intermittent cultivation according to a recent report of the National Advisory Commission on Food and Fiber. If the latter acres are suitable for cultivation one in three years, then total cultivatable cropland in the U.S. is 700 million acres. A yield of 5,474 pounds (98 bushels) of corn per acre on 700 million acres would provide minimum caloric requirements for 3.5 billion people. This average yield could assuredly be attained using current technology with a major investment in fertilizer and irrigation. This production could also take place on 350 million acres yielding 196 bushels per acre. The U.S. clearly has the production capability to "feed the world" all by itself. Of course, protein supplements in the form of beans, fish meal, and petroleum-based synthetics would be required for an adequate diet.

The above example shows that the U.S. has a huge food production potential and the physical capability to feed the world. It would require an austere diet on the part of Americans. Meat, of course, would be excluded, and the diet would represent a considerable sacrifice from current standards. While the issue of whether the U.S. can produce enough to feed the world is academic, the real issue is the extent to which Americans will find it expedient or desirable to supply food aid. What sacrifices are Americans willing to make, and how much food aid is beneficial to other countries? The answer to such questions lies in economic, social, and political factors which cannot be predicted with great reliability. Yet projection of past trends gives some insight into what can be expected in the future.

Projection of the Future World Food Balance

A 1967 study by the U.S. Department of Agriculture considers future prospects for world grain production and use up to 1980. Measuring world food demand and potential supplies in terms of grains, it makes projections for the world food balance to 1970 and 1980 under various assumptions about the rate of economic growth in the food-deficit countries. The study relates demand to the rate of economic growth and population growth. Thus the projections show the effective food demands rather than food needs. The study deals only with grains. But since most food comes directly or indirectly from grains, the trends in grain production and consump-

tion are a good indicator of trends in the world food situation as a whole.

The developing countries exhibit declining ability to feed themselves. But the ability of developed countries to feed themselves is increasing and more than compensates for any gap that emerges between production and food needs in developing countries. Thus the world in total is becoming better able to feed itself.

The projections by Abel and Rojko¹ showed a sizable surplus of production over effective demand. We balanced the world food budget by assuming the U.S. to be a residual supplier of grains. The resulting U.S. share of shipments from the major exporting countries is in line with past shares; hence, the method of balancing seems plausible.

This procedure was used to project U.S. grain production, acreage, and exports for 1970 and 1980. The results are summarized in Table 2. U.S. grain yields are projected to increase 2.4 percent annually between 1966 and 1980.

TABLE 2. U.S. GRAIN PRODUCTION, ACREAGE, AND EXPORTS PROJECTED TO 1970 AND 1980¹

	Actual 1966	1970	1980
Grain production (million metric tons)	183.2	210.1	276.1
Acreage harvested (million acres)	150.9	152.9	163.0
Exports (million metric tons)	40.1	47.8	70.6
U.S. share of world exports (percent)	47.7 ²	48.2	52.1
Acreage diversion (million acres)	60.4	55.0	47.0

¹Calculations based on data from Abel and Rojko, 1967.

²Estimate for 1964.

According to Table 2, the harvested U.S. grain acreage will need to be around 153 million acres in 1970 and 163 million acres in 1980, compared with 151 million acres in 1966. This represents no challenge to the U.S. productive capacity—185 million acres were harvested in 1959 and acreage had been even larger in earlier years. By shifting grassland, cotton land, and other land to feed grains, the U.S. could easily have 200 million acres of grains.

Grains currently account for half of the harvested cropland in the U.S. If other crops maintain their current supply-demand balance to 1980, and commodity programs similar to current ones are used

¹Martin E. Abel and Anthony S. Rojko, *World Food Situation: Prospects for World Grain Production, Consumption, and Trade*, U.S. Department of Agriculture, Foreign Agricultural Economic Report 35, 1967.

in 1980, then the acreage diversion projected for 1980 ranges from 42 to 61 million acres with a most likely estimate of 47 million acres. This compares with 60 million acres in 1966.

Data in Table 2 can be used as a basis for predicting total demand for food and fiber in the U.S. It is recognized that domestic demand for the output of all U.S. farms can be predicted with greater reliability than export demand. If the domestic income elasticity of demand for farm products is 0.1, per capita income increases 2 percent annually, and population increases 1.4 percent annually, then total domestic demand increases at the rate of $1.4 + (0.1)2 = 1.6$ percent per year. If demand for exports other than grains increases at the same rate as grains, about 4.1 percent annually based on the estimates in Table 2, and if exports constitute 18 percent of the demand for U.S. farm output, then total demand for U.S. farm products will increase $0.82(1.6) + 0.18(4.1) = 2.0$ percent annually (the first term on the left is the domestic share, the second term the export share).

The average annual increment in productivity of farm resources from 1957 to 1967 was 1.2 percent. If this holds until 1980, farm production resources would need to increase $2.0 - 1.2 = 0.8$ percent annually to meet the growing demand. Farm resources have increased at about this rate since 1957. The conclusion is that farm resources will not be under stress to meet domestic and world needs in the foreseeable future. The most reasonable estimate, that farm production inputs will need to increase only 0.8 percent annually, could be revised upward substantially and still represent no great challenge to agriculture.

If productivity does not increase at the indicated rate through increased specialization, consolidation, and expansion of farm size, and the introduction of improved inputs, then the slack will have to be filled with more conventional inputs. Nevertheless, it is quite clear that U.S. farmers can meet any foreseeable contingency that arises, and excess production capacity is likely to exist by 1980 under a considerable range of possible circumstances.

PROGRAM PREFERENCES OF FARMERS

Programs to stabilize farm income must be acceptable to farmers. A 1968 survey in Oklahoma was designed to determine what voluntary programs (land purchase, easements, long- or short-term land retirement, etc.) would remove the most production per government dollar spent on the program, hence make taxpayer dollars go farthest to raise farm income. These results are now being summarized. An-

other product of the survey was farmers' opinions of what a program for wheat and feed grains should accomplish and the acceptability of a number of possible programs. The results are summarized in Tables 3 and 4 for a random sample of 152 farms in three western Oklahoma counties: Grant, Harper, and Tillman. The results in Table 3 are also compared with estimates from a 1964 survey of 500 farmers in Oklahoma and Kansas.

TABLE 3. PERCENTAGE DISTRIBUTION OF FARMERS' OPINIONS OF WHAT A WHEAT AND FEED GRAIN PROGRAM SHOULD ACCOMPLISH¹

Objective	Year	Agree	Undecided	Disagree
1. Keep farmer's cost of producing wheat and feed grains low	1968	72	9	19
	1964	62	18	20
2. Keep wheat and feed grain prices at parity	1968	82	8	10
	1964	91	5	4
3. Keep bread and meat prices low	1968	26	24	50
	1964	29	28	42
4. Assure wheat and feed grain producers parity income	1968	81	7	12
	1964	81	11	8
5. Give farmers freedom to produce and market as much as they wish	1968	31	14	55
	1964	55	14	31
6. Keep the government cost of programs low	1968	62	16	22
	1964	80	11	9

¹Data from 1968 survey of 152 Oklahoma farmers and 1964 survey of 500 Oklahoma and Kansas farmers. Some of the 152 farmers were surveyed in the fall of 1967. The objectives were confined to wheat in 1964.

Objectives of Farm Programs

Farm economic conditions, rather than efficiency, low government cost, or low consumer food cost, received the strongest support for what a farm program should accomplish. The focus is about equally strong on parity prices and on parity income. However, the focus on parity prices appears to be less intense than in 1964. The runner-up preference in 1964, giving farmers freedom to produce and market without government regulations, was rated as the most important objective of farm programs by only one-tenth of all farmers. The introduction of a voluntary program for wheat in 1964 may have reduced the prominence of the objective of freedom in production and marketing. It is of interest that the percentages of agreement-disagreement on the freedom objective were of the same magnitude but exactly reversed between 1964 and 1968. Finally, farmers appeared to be less concerned about government costs when interviewed in 1968 than when interviewed in 1964.

Program Preferences

Table 4 lists farmers' reactions to several prominent proposed programs. Solicitation of responses was preceded with the statement: "The following programs have been proposed as ways to deal with the farm problem. If the programs could be made to work, would you approve or disapprove?"

Currently, the most talked about alternative to government programs is an organization of farmers themselves to control production and bargain collectively for higher farm prices and incomes. Only 53 percent of the 152 farmers interviewed approved and 30 percent disapproved of the proposal. This was a considerably lower rate of approval than the 69 percent who approved of item 7, essentially the current program for feed grains.

Item 2, use of sealed bids to divert land from production, has been suggested by economists as a way to cut the cost to taxpayers of farm programs. Farmers did not react favorably to it. Farmers reacted even less favorably to item 3, government purchase of farms to be converted into recreational or grazing purposes.

Another proposal is that the government reduce wheat and feed grain production by purchasing from farmers a lease on the rights to grow these crops. This lease could be of indefinite duration, with provisions for the farmer to recontinue cropping by buying back the lease at its purchase price plus interest. This proposal (item 4) and the proposal to make allotments negotiable (item 5) received a cool reception.

Farmers indicated reservations, as in the 1964 survey, concerning a free market. Twenty-five percent of them approved and 61 percent disapproved of the program. These results are consistent with the 1964 survey. In 1968, farmers showed little enthusiasm for returning to the mandatory programs of pre-1964 years, according to item 8.

In short, the recent survey of Oklahoma farmers indicated considerable satisfaction with the current type of programs. The only other "satisfactory" program, which only a slim majority approved, was an organization of farmers themselves to run programs. A recent *Farm Journal* poll showed even higher percentages approving self-help bargaining for farmers. Collective bargaining in grains appears to hold few economic advantages over current programs, since consumers are unlikely to tolerate substantially higher food wheat prices, and export markets will be lost if prices are set too high. Yet there are strong sociological arguments favoring collective bargaining.

TABLE 4. PERCENTAGE DISTRIBUTION OF 152 OKLAHOMA FARMERS' APPROVAL OR DISAPPROVAL OF SELECTED FARM PROGRAMS, BASED ON 1968 SURVEY¹

Program	Approve	Un-decided	Dis-approve
1. An organization of farmers themselves (independent of the government) would control production to raise farm prices and incomes.	53	17	30
2. A farmer would submit sealed bids to the ASCS showing the payment required for him to divert land from production. The ASCS would accept those bids from farmers that would remove the most production per dollar spent by the government.	20	16	64
3. The government would buy whole farms and combine several farms to be used for public recreation or leased for grazing.	4	5	91
4. The government would lease the rights to grow wheat crops and feed grains on a farm. Then this farm could no longer grow wheat or feed grains for the duration of the lease. The owner could use the land for any other purpose, including the production of other crops.	21	14	65
5. Wheat and feed grain allotments could be bought and sold between farmers, so that allotments would eventually reach the hands of those who would make the best use of them.	16	5	80
6. All government controls and price supports would be terminated, and the farm economy would be on a free market.	25	14	61
7. Wheat and feed grains would be under a voluntary acreage diversion program. Each individual farmer would be free to decide each year if he wants to receive payments to divert land from his crop allotment and be eligible for price supports.	69	12	19
8. Wheat and feed grains would be subject to mandatory acreage controls of the type used for wheat before 1964. All farmers would be required to comply with allotments if approved in a national referendum.	32	15	53

¹Preliminary data from survey of 152 Oklahoma farmers, some interviewed in the fall of 1967.

Our recent survey of Oklahoma farmers revealed considerable discontent. A term to describe the current feelings of commercial farmers is *anomia*. The word means social alienation, a lack of confidence in one's environment. This word has long been used to characterize the rural poor, but this attitude is growing among commercial farmers. They feel they individually are helpless in the hands of big government, big business, big labor, and "big nature." They feel they are slowly being squeezed out between the forces that mean higher costs for what they buy and lower prices for what they sell. This so-called cost-price squeeze and farm discontent are not new—what is different is the feeling of pessimism, frustration, fatalism, and helplessness at a time when farmers express strong approval of the current commodity programs and when farm income is quite high. Discontent is accelerated by high land prices—substantial monetary benefits of farm programs have gone to original landowners, leaving the new, young, heavily indebted farm operator highly vulnerable to lower commodity prices.

The backbone of the grain economy, the efficient operator of a 500 acre wheat farm in western Oklahoma or Kansas, is for the first time feeling the economic pinch. A farm now must be even larger to be highly efficient, and comparatively few operators will be able to achieve an economic unit.

The best way to overcome the discontent of grain producers is to increase their involvement in policy and program decisions. Market power is now "in" with several farm organizations and commodities, including fruits, vegetables, dairy products, and broilers. Collective bargaining has distinct limitations for grains, but perhaps farmers can be given more say in economic decisions than in the past. Bargaining boards could overcome anomia in two important ways—one is to make farmers feel they have a voice in grain policies, and the second is to increase the economic education of farmers. It might be well to explore ways to aid grain farmers to form a large self-help bargaining association even though the economic benefits are illusory.

SUMMARY AND CONCLUSIONS

A major change in the direction of government programs of acreage diversion and supply control could be caused by crises in the world food supply-demand balance or unfavorable attitudes toward such programs by farmers. Projections of the world supply-demand balance indicate that farmers are likely to operate within the context of excess supplies and a cost-price squeeze for some time in the fu-

ture in the absence of programs to control production and stabilize the farm economy.

These stabilization efforts should be kept in perspective, however. The analysis in this paper shows why problems of low resource returns will plague the majority of farmers for many years, until farms move to efficient size units through consolidation and other means. Capitalization of program benefits into land values is of continuing concern, and certainly dampens enthusiasm among economists for greater transfer payments from taxpayers or other extra-market, "artificial" means to raise incomes above current levels. But while farm operators would receive about the same net return for their labor and management in the long run without government programs, the adjustment to lower gross farm receipts would be traumatic indeed. Some form of economic stabilization, either run by farmers themselves or by the government, is likely to remain. Problems of high land values inflated by capitalized program benefits and low returns will plague farmers, and are one cause of current discontent especially among young farmers.

The reaction of farmers to some proposed alternative programs was ascertained in a recent survey of 152 farmers in commercial farming areas of western Oklahoma. The results showed considerable support for current programs. The only other program receiving significant approval was for an organization of farmers themselves to control production and stabilize the farm economy. The survey revealed considerable discontent among farmers, although they approved of current programs and their gross incomes are not low. To overcome the feelings of anomia, it is suggested that ways be explored to help farmers obtain greater bargaining power. The endeavor could produce two principal products: an awareness of the nature of markets which they face and an involvement in economic policy decisions.

PART IV

Rural Poverty

