

Monday, March 8, 1982

Our farm policies

What will suit us best in the years ahead?

This is the eighth in a series of 15 articles exploring "Food and People." In this article, Don Paarlberg, professor emeritus at Purdue University, discusses the controversial agricultural commodities programs. This series was written for Courses by Newspaper, a program of University Extension, University of California, San Diego, with funding from the National Endowment for the Humanities.

© 1982 by the Regents of the University of California.

By Don Paarlberg
special writer

IT IS NOW almost 50 years since the federal government assumed a major role in determining the production and pricing of farm products. The commodity programs which were in full force from 1933 to 1973 and still continue on a reduced scale were designed in part to save the family farm from threatened economic disaster.

Yet today, the independent family farmer seems to be an endangered species. An average of 2,000 farms have gone out of business every week since 1950. Although some 95 percent of U.S. farms are family-owned, the U.S. Department of Agriculture predicts that "there will be a few large firms controlling food production in only a few years."

As commodity programs in agriculture phase down, it seems appropriate to assess the government activities begun during the Depression.

STATED PURPOSES

The major objectives of the commodity programs were to increase the prices of farm products, to stabilize supplies, to improve farm incomes and to save the family farm. These objectives were to be accomplished mainly by paying farmers to curtail production, thus driving up prices.

The program applied chiefly to wheat, corn, cotton, rice, peanuts, tobacco, dairy products, wool and sugar.

Meat, poultry, fruits and most vegetables were never deeply involved in the workability of controls and on politics. At the program's peak, commodities accounting for three-fourths of farm income were not controlled. Because the program's scope was limited, so too was its ability to achieve its objectives.

The measuring rod for prices was parity, that is, a given amount of the commodity should purchase the same goods and services as it did in the period 1910-1914, when farmers enjoyed a relatively good standard of living.

DURING THE three Depression years 1930-32, immediately before the enactment of the commodity programs, farm prices averaged 72 percent of parity.

During the last three years that the programs were in substantial full force, 1970-72, farm prices again were 72 percent of parity, the same as before the programs began. Forty years of effort had failed to achieve the parity price objectives.

Together with other government initiatives, the programs did bring about some stability. The disastrous price declines of 1920-21 and 1930-32, when few stabilization programs were in effect, were not repeated after World War II, when there were many such programs.

Supplies as well as prices were stabilized to a degree by storing, in government hands, the commodities that could not be sold at the government-supported price. These stocks assured consumers of steady supplies, but they also depressed market prices and required deep cuts in farm production.

INCOME OF the farm population rose absolutely and relatively during the 40-year life of the programs. Before 1933, the average income for farm people was 70 percent of that for non-farm people. Forty years later, their incomes were about equal.

This gain in per capita farm income, however, was probably due not so much to the commodity programs as to the increase in farm size and efficiency, the decline in the number of farmers, and the increase in off-farm earnings.



food and people

ings of farmers, which came to exceed their incomes from farming.

Clearly, the program did not preserve the family farm. In 1930 there were 6.5 million farms; by 1970 there were 2.9 million, less than half as many.

This drastic decline in the number of farms was caused chiefly by technological change and resulting farm consolidation. The commodity programs actually speeded up this process by providing price incentives for greater yields per acre, stimulating the adoption of new large-scale technology.

A MAJOR purpose of the commodity programs perhaps the main one, though not openly acknowledged, was to avert an agricultural uprising. The Great Depression was an unbelievable disaster to modern Americans. The farm mood in 1932-33 was grim.

The New Deal put into the programs the farmers themselves wanted and put farmers to work administering them. Checks began to flow into farmers' hands, and the mood changed for the better.

Elsewhere in the Depression-cursed world, as in Germany and Italy, the open economic system gave way to Fascism. In the United States, the open system survived, though with modifications.

The stated objectives of the commodity programs were thus only partially achieved.

SIDE EFFECTS

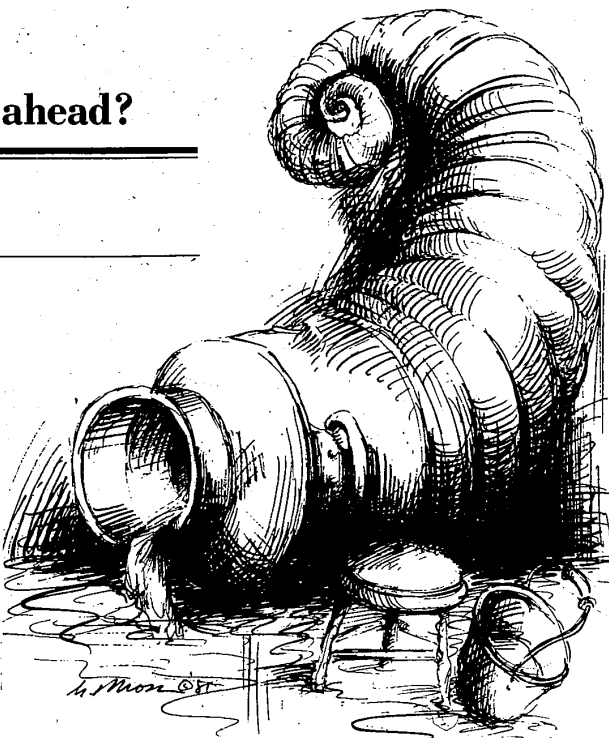
The most profound effects, however, were unintended, and most of them were adverse in terms of program objectives.

The greatest benefits of the program went to the operators of the largest farms, whose incomes were already above the farm and nonfarm average. The top 1 percent of farmers received 21 percent of the payments. Average farm income increased, but only by widening the gap between rich and poor.

The big farmers used their payments to buy out their smaller neighbors, speeding up the demise of the small farm.

Benefits drove up the price of farm land. A tobacco or peanut allotment was worth more than the land on which the crop was grown. Thus the program meant a windfall to those who owned the land when the program began, but an added cost to the next generation.

The commodity programs also resulted in the United States losing markets for its exports. For example, from



1930 until 1961, the United States held its cotton production to 14.4 million bales.

During the same period, foreign production of cotton doubled. By curtailing production and driving up our price, we priced ourselves out of the market.

THE ASSESSMENT that surplus production was the major problem for farmers became self-fulfilling. If the price of a competitive good is held substantially and continuously about its market price, a surplus inevitably develops, regardless of the original supply situation.

The artificially supported price encourages production and discourages consumption; hence the pile-up of stocks in government hands.

The program was costly to consumers and taxpayers. According to economist Charles Schultz, during the period 1964-69 the program increased the price of food by 4 percent each year above what it otherwise would have been.

A study initiated by Secretary of Agriculture Ezra Taft Benson placed

the cost for the programs to the government at \$18 billion for the period 1932-1959. Since then costs increased greatly, but Benson's accounting was attacked so strongly by farm interests that it was never updated.

GOVERNMENT CONTROL AND INDIVIDUAL FREEDOM

One effect, intended or not, was to substitute government decision making for individual freedom of management. The deep question, basic to the commodity programs and still unanswered, is the degree to which individual freedom is an end in itself, and the degree to which it is but one of several alternative means to the end called increased income.

Farmers who produced certain products chiefly tobacco, peanuts, sugar, and dairy products became so dependent on government programs that they resisted the trend toward market orientation that has become evident in the last 15 years.

A fair assessment of the commodity

programs is that in the early years they helped to prevent political and economic disaster. But they were continued beyond their time, and with this extended life came aggravation of their many problems. In the end, consumers, taxpayers, and many farmers themselves became disillusioned.

Hence the retreat but not the defeat of these programs.

We should read the lesson well, lest we repeat it.

The views expressed in Courses by Newspaper are those of the authors only and do not necessarily reflect those of the University of California, the National Endowment for the Humanities, or the participating newspapers and colleges.

Next week: Willard Cochrane, former Director of Agricultural Economics for the U.S. Department of Agriculture, makes some projections about our food supply in the future.

Don Paarlberg is professor emeritus at Purdue University, where he taught agricultural economics for many years. He has held appointments from Presidents Eisenhower, Nixon and Ford, serving as assistant to the president, coordinator or the Food for Peace program, assistant secretary of agriculture and director of agricultural economics. In addition, he has been economic adviser to four secretaries of agriculture. His publications include "American Farm Policy," "Great Myths of Economics" and "Farm and Food Policy: Issues of the 1980s."



A St. Patrick's feast for Ireland's finest

LEG O'LAMB DUBLIN

- 1 frozen leg of New Zealand lamb (about 5 pounds), thawed
- 1 cup Florida grapefruit juice
- 1/2 cup olive oil
- 1 can (6 ounces) tomato paste
- 2 teaspoons salt
- 1 teaspoon dried rosemary, crumbled
- 1 teaspoon dried leaf thyme, crumbled
- 2 cloves garlic, minced
- 1/2 cup butter or margarine
- 1 cup packaged, seasoned bread crumbs
- 1/2 cup chopped parsley

With a sharp knife, remove "fell" from lamb and trim off any excess fat. In a small bowl combine grapefruit juice, olive oil, tomato paste, salt, rosemary and thyme; mix well. Brush generously over lamb. Roast in a 325°F. oven, 1 hour 45 minutes or until meat thermometer registers 140°F. for rare, 160°F. for medium, 170°F. for well-done. Brush with grapefruit juice mixture every 30 minutes during roasting. Meanwhile, in a medium skillet, melt butter. Add garlic and bread crumbs, stir over medium-high heat until crumbs are lightly toasted. Remove from heat; stir in parsley. About 10 minutes before lamb is done, remove lamb from oven. Let stand about 5 minutes or until cool enough to touch. Press crumb mixture over surface of meat. Return to oven and roast 10 to 15 minutes longer or until meat is done and crumb mixture is set. Remove meat to serving platter. Allow to "rest" 10 minutes before serving.

ture is set. Remove meat to serving platter. Allow to "rest" 10 minutes before serving.

YIELD: 6 to 8 servings.

WEARING OF THE GREEN MINTED PEAS

- 3 cups fresh or frozen peas
- 1/4 cup butter or margarine
- 1 tablespoon coarsely chopped fresh mint or 1/4 teaspoon dried mint
- 2 cups freshly mashed potatoes

Cook peas until tender; drain. Add butter and mint. Toss gently and pour into warm serving dish. Beat potatoes until light and fluffy. Spoon into pastry bag fitted with large star tip. Pipe around edge of serving dish of peas.

YIELD: 6 servings.

How to Section Grapefruit

Cut grapefruit in half. With stainless steel paring knife, separate both sides of each grapefruit section from center to skin. With grapefruit knife, slice between the skin and fruit, working knife under each section until it can be lifted out easily with a spoon.

ELLIE'S ELEGANT GRAPEFRUIT SURPRISE

- 1 cup plus 3 tablespoons sugar, divided
- 1/4 cup cornstarch
- 1/2 teaspoon salt
- 3 eggs, separated
- 2 cups milk
- 3 tablespoons butter or margarine
- 1 teaspoon vanilla
- 3 large Florida grapefruit

In medium saucepan combine 1 cup sugar, cornstarch and salt. Gradually add milk and egg yolks; mix well. Cook over low heat, stirring constantly until mixture boils. Boil 1 minute. Remove from heat. Stir in butter and vanilla. Cover surface of pudding with plastic wrap; chill. Meanwhile, prepare grapefruit. Cut grapefruit in half. Using grapefruit knife, section fruit; drain. Remove all membrane from grapefruit cups. Fill grapefruit cups with sections. Spoon chilled pudding over sections. In small bowl beat egg whites until foamy. Gradually beat in remaining 3 tablespoons sugar, beating until stiff peaks form. Spoon or pipe meringue evenly over pudding. Place grapefruit cups on cookie sheet. Place under broiler about 2 minutes until meringue is golden.

YIELD: 6 servings.