Study Focuses on Agriculture's Economic Problems

Price and income instability and cash flow are the two most important economic problems in U.S. agriculture. Agricultural trade affects both. These are fundamental points made in a report issued last fall by the Council for Agricultural Science and Technology (CAST), an association of 25 food and agricultural science societies. The report was prepared by a task force of 23 scientists chaired by Luther Tweeten, an economist at Oklahoma State University.

"U.S. agricultural commodity programs have remained essentially the same in substance over the past half century, and have changed mainly in style and emphasis," says Tweeten. "During that time, however, much of U.S. agriculture has been evolving from a way of life into a large-scale, regulated business. Most farms (72 percent) are still in the small-size class, with annual sales under $40,000, but in 1981 these farms produced only 13 percent of the total agricultural output, while 4.6 percent of the farms were large ones with sales of $200,000 or more, producing 49 percent of the total output."

A half-century ago, agricultural policy was essentially a domestic matter. Now, about one-third of our agricultural production is exported. The capability and need for U.S. agriculture to compete in international markets are great, but U.S. policies often have been counterproductive. High interest rates and export embargoes are consequences of nonagricultural policies that have decreased U.S. agriculture's ability to compete in world markets. U.S. agricultural policies have reduced our competitive ability by supporting world prices above potentially market-clearing prices. In effect, our price supports have encouraged farmers in other countries to produce for markets we otherwise could have supplied. Our potential for competition in world markets results from production efficiency, which in large part is a consequence of advances in science and technology.

The report discusses four general policy alternatives that could be adapted to address agriculture's economic problems related to price and income instability, cash flow and competition in international markets. Advantages and disadvantages are listed for each. The alternatives represent different degrees and costs of governmental involvement. Three would permit individual decisions, and one would involve strict governmental controls.

The report notes that four principles need to be kept in mind when judging alternatives: (1) Additional farm income will come from taxpayers, consumers or improved farming efficiency, but not from marketing margins. (2) Potential domestic farm policies must be viewed, not only in terms of their impacts upon farming, agriculture-related industries, and other aspects of the U.S. economy, but also in the context of global markets and policies. (3) In practice, the alternatives can be combined in various ways. (4) Agriculture is heterogeneous; policies that work for small farms will not necessarily work for large farms, and policies that work for tobacco farms will not necessarily work for wheat farms.

The complete work of the task force is published as CAST Report No. 98 entitled, The Emerging Economics of Agriculture: Review and Policy Options. This 38-page report is available for $3.00 postpaid from CAST, 250 Memorial Union, Ames, Iowa 50011. AJ

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1965—"Our congratulations are sent to Jim Hurlbut, Raymond, on his being named the second place winner in the Outstanding Young Farmer contest in South Dakota."