

Ducks and Drakes in U.S. Farming

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THE UNITED STATES is enjoying a rather exuberant "boom" at present, and this has been reflected in fairly good prices for farmers — especially for hogs and cattle. Even grain prices are fairly good, in spite of the fact that government price supports have been generally reduced. I have no idea how long this "boom" will last but I suspect that it will slacken somewhat by the end of the year. The tax reduction of 1964 sparked the boom (and some more inflation) and now another tax cut is pushing it along — but at the expense of more inflation I suspect.

Every month my farm magazines comment on the pending new farm legislation at Washington. As near as I can see the trend is away from a high "loan" support and towards a direct subsidy. This is in operation with corn and wheat now — and has been used for ten years or more with wool and sugar beets. Since we are importers of wool and sugar, there are no restrictions on acreage of beets or flocks of sheep. But corn and wheat are in "surplus," so only those farmers who reduce their acreage to a certain "allotment" are eligible for the "production payment."

The payment is made to the farmer at a rate of cents equal to the difference between the "loan" rate (cash loaned by the government in lieu of future sales while corn and wheat is stored) and the "support level." Both loan and payment are limited to what is called a "normal yield." This yield is determined for each farm. The idea is to circumvent the practice of intense fertilization of the allotted acreage, which tends to defeat the aim of reducing production. Any surplus over this normal yield must be disposed of at the market price. Since the loan rate is usually below the regular market price, very little grain is now going into government storage — which is perhaps the brightest part of the whole scheme. Nevertheless, there is considerable wheat in storage.

Here is an hypothetical example of this support system: If a farmer has a normal yield of thirty bushels of wheat, and an allotment of twenty acres, he will be paid the direct subsidy of 20 cents per bushel on 600 bushels at about \$1.25—this varies according to location from the seaboard. Now, if he fertilises heavily, and raises forty-five bushels per acre, he must sell the fifteen bushels per acre on the "open" market. This has been holding somewhat above the loan rate, but, of course, quite a bit below the loan plus direct payment. In the above example the support would be \$1.45. There is some talk of raising this part of the support and financing it by a tax on the millers. Some claim this would be a "bread tax," but proponents claim it would raise bread no more than a fraction of a cent!