I have tried to condense my remarks to a few principal implications concerning policy. My comments deal rather specifically with the present situation, while Dr. Paulsen's deals with broader issues.

1. **Technology.** The paper names technology as the chief source of rising output of feed crops and soybeans. Nothing is said about prospects for the future, but there is little reason to suppose that technology will not continue to advance for years to come. We can expect discovery of new production techniques and wider adoption of presently known ones. The level of prices will not greatly affect the economic incentive to adopt new practices, but very low prices would seriously impair farmers' ability to finance any investments new methods might require. Except at very low prices, total output will be comparatively insensitive to price while technology is advancing rapidly.

2. **The rate of feeding.** The paper does not mention one of the most important current factors affecting use of feed grains -- the high rate of feeding. The overall rate of efficiency at which feed concentrates have been converted into livestock products for the market appears to have been at least 10 percent below normal in the last two years. Probably feed disappearance in the past year has been 15-18 million tons above the amount normally required to produce the volume of livestock products flowing to market. At usual rates, more livestock products would have been sold at lower prices or more feed grains would have been turned over to the government. Though many do not agree, I expect the rate of feeding to return to earlier norms, or nearly so; and this will aggravate the surplus situation in feed grains still further.

3. **Effects of programs on the feed grain supply.** The situation paper indicates that marketing quotas on wheat and cotton have diverted land to feed grains, and it shows that feed grains have been put under price support. It reaches no conclusion as to the combined effect of all programs on feed grain supplies. A common belief is that the programs have increased the supply of grains available for feed, but I doubt that this is correct. My best guess is that the tonnage of concentrates, including feed wheat and oilseed meals, produced for feed would be about the same without any programs at all as the quantity actually produced for feed and government programs in 1960. This estimate assumes that yields per acre would be somewhat lower than they are if there had been no supports in recent years. The programs have reduced the amount actually fed, however, because large quantities of feed grains and wheat otherwise available for feed have been diverted from livestock to the government for disposal.

4. **Level of grain prices without supports.** The paper concludes that price supports have raised feed grain prices "somewhat above the level that would have prevailed under free market conditions." I am not sure what "free market" means here, but I believe that feed grain prices would have been at least one-fourth lower in the absence of any and all farm programs. Most of the recent studies of probable free market prices in the 1960's support this view.
5. **Feed grain supports and livestock prices.** Government programs for feed grains have had large, favorable effects on hog prices and on incomes of hog producers. Grain supports have indirectly benefited prices of range cattle, though in less degree. Returns in cattle feeding operations probably have been moderately affected. Without grain supports, we would have a somewhat larger poultry industry and lower poultry prices, but the margins between feed costs and product prices would be about the same as they now are. With respect to dairy, producers can shift from production of grains and meat animals to milk production readily enough so that lower grain prices would not only reduce dairy product prices (in time) as feed costs fell but would also reduce the spread between feed costs and dairy prices.

6. **Overproduction an aggregate problem.** The current surplus problem is more properly regarded as an overall situation in agriculture than as a problem of a few individual commodities. In the heartland of American agriculture in which this conference is held, vast land and labor resources can be shifted among corn, other feed grains, and soybeans. Within the area or on its fringes, resources can be shifted among feed grains, oil crops, dairy products, wheat, cotton, and a number of less important products. In free markets, the great bulk of feed grains and surplus wheat must go into livestock products. Meat animals and poultry compete closely with each other for a place on the consumer's table. Soybeans, hogs, dairy cows, and seed cotton are all sources of fats and oils, for which the total market is distinctly inelastic. With strong competition among leading farm products on both the supply and demand sides of the market, prosperity or depression in one segment of agriculture is eventually generalized over most of the whole.

Conclusions or recommendations based on the situation for a single commodity can easily be wrong or miss the point. Two examples are given:

1. Preventing surpluses of wheat or cotton by reducing acreage with no regard for the use of the diverted acres merely reallocates the surplus among commodities.

2. We can be optimistic about the outlook for the soybean market, especially exports, but we need to remember (a) that this is partly at the expense of lard, butterfat, and cottonseed oil and meal, and (b) that even though larger exports might permit an important expansion of soybean production, soybean exports would have to be enormous to offset importantly the drag of static domestic demands for wheat and cotton.

7. **Crops more important in effective supply control than livestock.** Potential earnings on most farm land in non-agricultural uses is close to zero, and low crop prices will be very slow to remove land from production. Livestock adjusts more promptly to unfavorable relationships between product prices and feed costs, though the adverse effects of higher feed prices on dairymen and poultrymen until the adjustment is made should not be underestimated. The most urgent problem is to bring crop production into line with what the market will take at reasonable prices.
8. **But feed crops present special control problems.** In principle, production controls should be put on the quantity produced or sold, for then producers could not substitute things like fertilizer for land and thereby raise output. But bushel controls seem next to impossible for feed grains because so much is fed to livestock on the farm where grown. Land controls seem the only way to control feed grains even though such controls are clumsy and not fully effective. Controls could take the form of idling a fraction of growers' feed grain acreage or the less specific form of general land retirement.

**Summary.** The situation paper is a straightforward description of the current position of feed grains, soybeans, and livestock. To me, the implications of the situation, especially with respect to crops, are more serious for producers than the paper suggests. Despite the need, this is just about the most difficult part of agriculture in which to develop programs for protecting farm income, and the success of any comprehensive attempt to improve—or even maintain—the economic position of farmers is likely to depend upon how well it handles feed crops.