REMARKS OF A CONGRESSMAN

by Hon. Albert H. Quie

Before we talk about the problems of agriculture and discuss the papers of Dr. Robinson, Dr. Heady, and Mr. Soth, I think I ought to point out the importance of agriculture. Agriculture is still our most basic economy. Without food to eat, people cannot survive. Without the fiber for our garb, there surely would be a shortage of warm clothing, and even from the land comes a great deal of the materials for the construction of our dwellings.

Also, we should look at agribusiness; that is, all the industry which is dependent on agriculture. This gives us an indication of the true and total impact of agriculture within our economy.

I'm glad these Farm Policy Review Conferences are held. I've attended a number of them. I think it would be good if all members of Congress were able to attend these meetings so that they could have a better understanding of the economic implications of the happenings in agriculture as well as the effects of the legislation which we enact, not only on the farmers of the rural community but on our entire country.

President Johnson, in his inaugural address, spoke of the rapid changes that are occurring, yes, the fantastic changes that are occurring.

We see this happening in the world with the dramatic changes in medicine--progress which is broadening the base of life so that many men are wondering what will be done about the doubling population in just a few years.

People now look back on the trip of Lindbergh across the Atlantic Ocean just as young people of today are sure to look back on our first space travel... and the first episode of a man on the moon... with the same common-place attitude toward that travel as we now have toward air travel over long distances.

We look at the communications satellite, remembering that in 1956 the first cable was laid across the ocean and that we could talk on a telephone anywhere around the earth. Tomorrow, with the space satellites, we will

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be able to talk with anyone any place in the world and never have to worry about cables being cut or towers being toppled. Through the development of these communications systems we see the problems of other places in the world, and these problems become our problems.

We see that the same thing has happened in agriculture. Production in agriculture and output per man hour have increased greater here than in any part of our economy.

When I look back to 1940—when I started farming—all of my hay equipment and team of horses, too, all cost me less money than a hay conditioner does today. At that time, I didn't even know what a hay conditioner was.

So we are involved in a rapid and dramatic change.

It is best that we understand the economic implications; that is, that which is happening now and will happen in the future.

For a good period of time farmers expected that there were some panaceas in the form of legislation to the farm problems.

Many people declared that had the McNary-Haugen bills been passed the farm problems would have been solved. Efforts were made during the 1930's to solve the farm problems, but they were not solved. World War II and a post war economy did provide a reprieve for a number of years. Attempts at panaceas after World War II have not been successful. Those who thought a Republican Administration would bring an answer to all of our problems were disappointed during the Eisenhower Administration. Those who thought we only would have to go back to a Democratic Administration to solve our problems are now disappointed. They see that many farms are worse off now than before, and the exodus continues.

As more and more people live in urban areas—-in fact, it is estimated that now only 7.1 per cent of the American population lives in the rural area—we can see that the non-farm Congressman will have a great effect on agricultural legislation. Only 53 out of the 435 Congressmen are from rural districts. I am one of those, one of the 53. But only 20.31 per cent of the people in my district are rural. So you see after the next census, undoubtedly I will be shifted to a rural-urban district, rather than a rural district which, according to the Census Bureau, requires a farm population of 20 per cent or more.

When a rural Congressman looks at farm legislation he is not a free agent. He is dependent on his farm voters, and the fact that politicians have made promises in the past that cannot be fulfilled gives the rural Congressman a difficult problem, trying to balance political expediency with economic feasibility. There has been a lack of economic understanding in the past that has caused many of our political difficulties.
Again I say that meetings such as these are extremely important. They bring into focus the impact of science of economics as it is brought to bear on the agricultural situation.

We also see some basic philosophical differences between farm organizations, and it is impossible to satisfy them all. As we work on legislation we realize that a bill is more in conformity with a view of one farm organization than any other. In making efforts to amend the legislation to make the farm organization approve it—which previously did not approve it—we find that invariably we lose the approval of the former organization and, sometimes, all of the farm organizations.

Many of the old arguments of the past, however, do not exist any more. We fought many a verbal battle over high rigid price supports versus flexible price supports. Nobody argues these any more, because it is accepted that the price support level must be close to the market price or else it will build up a surplus which is unacceptable to the non-farm taxpayer. We have had some heated verbal battles over mandatory controls versus voluntary programs; however, by and large now this struggle is over. There may be some controversy yet in the southern crops of tobacco, rice, peanuts and cotton; however, in the remaining commodities it is very doubtful that the mandatory programs would be acceptable to the farmers or the Congress. As we consider farm legislation in the future, however, the budgetary considerations will be paramount.

There are many individuals in Washington whose names are unknown in the country; however, the name of Gordon—the Director of the Budget—is well known among farmers now. When I was home just recently, many farmers talked to me about Gordon and his speech, which has recently been reprinted in the Saturday Review of Literature.

It is interesting to recall that the then Senator Humphrey, in a speech on August 18 of last year, indicated that perhaps the time had now arrived when we must determine what would be spent on agricultural programs and then administer them within that figure, rather than continually increasing the cost of programs as is presently occurring.

Dr. Robinson gave the impression in his paper that long-range land retirement was the least controversial of the farm programs. I think it is true that this is the most economical program that we could have. It has done more for the least amount of money; however, it is an extremely controversial program.

Mistakes when the Soil Bank was first tried have given it a black eye, a black eye caused by acreage greater than 50 per cent of the land of some counties being idled by the conservation reserve. This was strenuously objected to. Also, stories of non-farmers who paid for farms with Soil Bank payments have been decried. Both of these faults were remedied by
administrative action later, but the criticisms remain.

The program is still objected to by individuals from small towns; that is, by merchants from small towns who admittedly are in difficulty as the numbers of farmers decrease. Moreover, when they see a farm lying idle, with the person who was on a farm or could have been on a farm not purchasing from the small town in the manner he used to, then these merchants lay the blame on the Soil Bank Program for the difficulty of this part of our economy. Also, there are a number of young men who would like to farm, but if there is no land available they then will look for opportunity elsewhere. Too, where neighboring land is lying idle in the Soil Bank--and a person would like to rent it--then that person raises great objection to the Soil Bank Program.

The last and most recent criticism stems from the Administration's crop land conversion program, which is very similar to the old conservation reserve aspect of the Soil Bank, except that grazing is permitted. When beef numbers were increasing and beef prices were down, expansion of that type of program did not meet with approval. And, undoubtedly, any attempt for long-range retirement programs permitting grazing would meet with great objection at this time.

I also get the impression from Dr. Heady's remarks that if we had balanced supply with demand, the problems of agriculture would then have been solved. I surely question that, since a balance of supply and demand through either short range--and therefore expensive programs--or long range retirement programs would have required a determination by the Department of Agriculture of what production is necessary. Any mistake that had been made in the estimates of need or production would surely have dramatic economic implications. Not only would there be fluctuation of prices due to even a slight shortage, but if the normal carryover was dipped into with any great amount in a year because the supply was not sufficient, then there could be a market disruption which would depend on the location of the carryover. If the carryover had moved toward terminal markets, and perhaps the seaports, or was stored in a part of the country which had the most economical storage rates due to weather conditions, the line of supply would be greatly different from the normal situation when it comes from the farm. The only way a normal carryover could be used without market disruption would be to have the storage held on the farm and released from the farm. Then the channels of trade from the farm to the final user would be kept intact.

With Public Law 480 for Peace Program, foreign disposal, the one controversy that we will have this year--and a policy decision that will have to be resolved--is whether the program shall continue to be used as a surplus disposal program (and therefore its use greatly curtailed as supply is brought close to demand) or whether it will become a part of our foreign policy in which we will make commitments and keep our commitments for supplying
food whether food is in surplus or not. There will be great support, I know, this year for a change in the program which will permit the Department of Agriculture to go out into the market and purchase non-surplus food for Public Law 480. I would suggest that we give it a trial with dried skimmed milk, which is one of the most acceptable products overseas.

The biggest controversy in domestic agricultural legislation will be over direct payments. The great controversy that began with the Brannan Plan is still raging today between the farm organizations. I think I should point out that one of the faults of the old price support programs of mandatory controls on some commodities had the effect of capitalizing the quotas into the value of the land. This has brought about increased holdings. We all know that the value of the tobacco allotment or a cotton allotment on southern farms act to increase the land value of those farms. However, direct payments also can be capitalized to the land. I have already talked to individuals who are in the market for farms and the purchase of farms in my Congressional District, and they speak of the feed grain base and the historical production within that base—the greater the number of acres of corn and the higher production history on corn, the greater the amount of direct payments the farmer can expect to receive.

We also see the problem with direct payments where a farmer is penalized for not producing on all the acres which he contracted for under the feed grain program. The farmer contracts, for instance, to reduce 20 per cent of his acres, but actually does not plant corn on all the remaining 80 per cent of his acreage. He loses his direct payments on that land, which he would have received had he produced on them; hence, there is an incentive to produce while, at the same time, the farmer has an incentive to reduce production through the diversion payment... this is a confusing set of rewards and penalties.

Another problem of our present farm programs is the low resale formula. The resale formula of 105 per cent of support price plus carrying charge was not too bad when price supports were high and the market price was usually below the support level. It gave an area in which the market could function during the year; however, now when the loan level is below the market price, usually the resale formula holds down the market price. This makes the government the greatest competitor in the market. The government handles the greatest volume of the grain and tends to fix prices more than has been the case in the past. The concern for this is evidenced by the number of farm organizations which have advocated increases in the resale formula from 105 per cent of price support up to 115, 120 and 125 per cent of the support level plus carrying charges. I have a feeling these papers which were read to us give neither enough emphasis in their study to direct payments or the resale formula and the implications these have on the economic situation in agriculture.
I am glad to see that there is more and more emphasis being placed on commercial agriculture versus the small farmer who would never, even with 200 per cent of parity, be able to make an adequate living on the farm.

To look at the one million farmers who produce 80 per cent of the goods is a different problem from the two and one half million farmers who produce less than 20 per cent of the goods---it is a wise decision! But the question the Congress, the Administration and the land-grant colleges must ask themselves today is "what is our policy toward the two million farmers who sell less than $5,000 worth of farm commodities?" Should we actually move people out of agriculture, giving them a mustering-out pay, as was suggested by Dr. Heady?

I believe our past farm programs have actually encouraged the movement of people out of agriculture, because they have been the greatest incentive to the large producer through a guarantee of income, which enables the person with adequate capital to increase his holdings. The question is whether we should pay to keep them in, or pay them to get out—or strike some middle ground. Or should the policy be to keep people in agriculture and on the farm, no matter how small, as long as possible? Or should we have a policy that controls their flow from the farm to the urban community?

If the direct payments were held to a limited amount, say $3,000 per farm, this then would make the program beneficial to the small farmer. But the larger farmer would depend upon the market for his production over and above that which he would receive in $3,000 in direct payments.

If the policy were to encourage young people to go to occupations other than agriculture, then an individual who was on a farm at the time the program was adopted could receive the funds. Any new individual, however, would not receive the direct payments and, therefore, he would not be encouraged to begin farming based on the payments. This is really the biggest policy decision, and it has never actually been tackled in Congress.

In closing, I just want to echo the thought that I've heard often and eloquently from Dr. Ted Schultz, who is with us here today: "Education and training are still the most important single factor in agriculture."

By education I do not mean that we should only train people for occupations other than agriculture. Anybody who is to remain in agriculture, and not only survive but prosper, must be the best educated individual in all the various facets in farming we possibly can find. The best educated and sharpest individuals should not be finding employment elsewhere. Rather, the people in agriculture should have the best of education and training, though we realize, as the Secretary of Agriculture said before the Committee on Education and Labor last year, that only one boy out of 10 will remain on the farm. And in the light of statistics I have seen lately, it appears that there probably will be even less than one out of 10 remaining on the farm.
We can see the necessity for the best possible education to enable rural boys to receive the education and training they can utilize for our technological age.

It is unfortunate that children from farm families do not go as far in education as non-farm children do. There is something about agriculture that gives a training which cannot be assimilated in an urban community. This is evidenced by the fact that many schools speak so highly of farm youth. Many industries, too, such as IBM in Rochester, Minnesota, employ many individuals who live on farms, and they speak glowingly of the quality of these individuals. Today, however, this is not enough. Formal education is needed in the future as never before.

We must remember that the best tools we can give any of the young people who are growing up in our rural communities is the best education and training that money can buy. There will be a reward to the rural community in the form of the young people who remain on the farm, and there will be a reward to our entire society when rural youth with good education and training have the skills to cope with our highly technological age and the fantastic changes it is bringing about today.