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# Adjust Farm Production by Regions ?

by Earl O. Heady and Alvin C. Egbert

SEVERAL THINGS became clear about American agriculture during the 50's. Its surplus problems aren't of the type that turn up in one year and are somehow magically solved the next. The over-all problem has been approached in the past as if this were true. Various kinds of help have been provided. But they haven't solved our real farm problem.

The problem is more permanent than implied by the solutions attempted over the past 25 years. We had the beginnings of a surplus problem back in the 1920's—just the infant of the one we now have. World War II and Korean conflict needs “alleviated” the situation temporarily. But afterwards the problem kept right on growing, even faster than before.

In contrast to much of the rest of the world, American agriculture can produce and is producing more than our population needs. And this situation is more or less permanent — certainly for the

next 15 years or more. How can this be true? We have almost the same amount of land (and even fewer people on farms) than when production was just keeping pace with demand earlier.

A big part of the answer is addition and substitution—of “non-farm” resources such as fertilizer, insecticides, tractor fuel and other materials for both land and labor. From the standpoint of effectiveness, we now have a much larger supply of land than we had 75 years ago. And on this basis, our land supply can grow even larger.

Growth in the use of capital resources in agriculture has put it in a position more like other industries that aren't limited by space or land expanse. Space doesn't necessarily limit the number of retail stores, repair shops, etc. We could have a mammoth number of them if we tried to use all building sites available for them.

Once, we needed about all of the land space we had (and now have) for producing our own food requirements and exports. We don't need this much at present because our exports have decreased and because we've increased the effectiveness of our land supply by adding and sub-

stituting other resources. At the same time, these capital or non-farm resources also have been substituting effectively for labor. And since they're priced “cheaper” than labor, they're being substituted rapidly—with an equally rapid movement of labor out of agriculture.

These substitutions take place as farm operators look at the prices and prospective returns from fertilizer, insecticides, petroleum and other nonfarm resources and decide to put them to use—substituting them, in effect, for labor and land. These things have made it possible (1) to produce more on each acre, (2) for each man to handle more acres and (3) in many cases, to enjoy more leisure.

## What Can We Do?

In this article, we want to look particularly at the land part of the production and adjustment problem. The “labor side” is partly the same problem, but it also has some different aspects. And we have two somewhat different surplus problems. One is a short-run problem; the other, a long-run problem. The solution of one is partly a solution of the other, but not a total solution. So we may need to tackle each separately.

**Short Run:** There are only about two broad alternatives for the immediate short-run years ahead: (1) Keep on building up surpluses at present rates—an alternative that the public may not allow. (2) Figure out some way of producing only our annual needs or perhaps even less than these amounts until surplus stocks are whittled down.

The short-run calendar is one that must be worked out soon. There are, of course, many methods that could be used to check the annual additions to surplus. The *big* question is the *acceptability* of them. One of the most popular and frequently suggested methods is to rapidly expand demand so that we wouldn't have to worry about the supply side. But little short of a miracle or another major war could cause

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demand to expand so that we could use up our present surplus plus all of the output that we now can produce.

Another possibility is to expand the present soil-bank or conservation-reserve framework to a much larger scale. This would tend to take land out of production all over the country, regardless of its long-run comparative advantage. But a program of this nature could cost considerably less than our current total program which includes carrying large stocks at heavy costs.

This isn't the type of land retirement or adjustment program needed for the long run. But it might serve best in the short run to stop the addition to stocks while using various methods to cut down the stocks—unless we can find better alternatives that are legislatively possible and consistent with public values. At worst, it could serve to “mark time” until an acceptable and feasible long-run program can be worked out.

A land-retirement program of today's soil bank or conservation reserve nature—with some land taken out of both high and low productivities regardless of its comparative advantage for crops now in surplus—is for the short run. It doesn't really solve the surplus capacity now existing in agriculture.

Contracts could be made for 5 years or so. But at the end of the contract, chances are that the land would go right back into production much as it was before. Even if the owner had retired in the meantime, taken a nonfarm job or sold his farm, a neighbor might take over the unit and farm it successfully with his existing supply of capital and labor. Lift the program—even if it were on a large enough scale to curtail the current surplus buildup—and, in a few years, we'd be right back with the surplus stocks situation if the price-support program were sufficiently favorable.

Agriculture's capacity to produce is simply so great that we can't close our eyes to this real picture. The same would be true of output or marketing quotas. Lift the program, and, if com-

penensation is enough, the output race would continue right back down the surplus track.

At the other extreme is the suggestion that the problem be handled by turning prices loose in the market. Production adjustments would undoubtedly take place under free-market prices in the long run. The adjustments would be concentrated in areas of low comparative advantage — areas with low-yielding climates and soils or where the distance to market is great. Production in these areas merely would become unprofitable. Land would have to be shifted to less intensive use, with some less intensive use coming about in areas retained in the production of crops now in surplus.

In theory, this method has some merit. But the difficulty of using the free market to bring about this type of adjustment is that the financial burden would be concentrated mostly on farmers and townspeople in the regions that would have to shift from crops such as corn, wheat and other small grains to grass, forestry, etc. This probably is the main reason that the method hasn't found wide geographic support. The persons in the areas affected would have to bear the brunt of the burden of getting out from under our present surpluses.

Thus, we have a dilemma. If all resources were used most effectively—considering the products consumers want and the productivity of resources in different agricultural areas and in different industries—some areas would produce as much or more than now of basic crops. But this pattern still would place the burden of shifting from our heavy stocks of surpluses on the families living in certain rural areas or regions.

**Long Run:** Are there any methods of adjustment that would allow long-run shifts in line with consumer wants and the relative productivity of resources that wouldn't place the whole burden on the people in regions faced with the major shifts? Such a program would still have to take

land out of production in regions where it has a low comparative advantage. But it would have to compensate the people making widespread adjustments so that they'd be as well or better off than now. Further, it would have to be *acceptable* and *workable* for the people closely involved.

Usually, the land would have to be shifted to other types of farming—such as from grains to grass and livestock or to trees. It would involve a “waiting period” until stands could be established and stocked and until income started flowing at potential levels. It would undoubtedly call for larger units to be efficient under less intensive operation. It would require capital (and sources for obtaining it) to make these kinds of shifts. But it could be a long-run type of shift if prices were geared accordingly for later years.

Any adjustment to a more efficient production pattern by regions, however, wouldn't come without widespread costs to many people. Some people leaving agriculture—a necessary condition for regional adjustments—might not be able to find suitable employment without first acquiring new skills. These people would be subject to unemployment and educational expense unless they can gain the skills while still employed in agriculture during a transition period.

The shifting of farmland in entire regions to less intensive uses—or, in some cases, to none at all—could have serious effects on communities. It could disrupt community life, established businesses, educational systems and the political structure in many areas. The costs could be very real—economically, socially and politically.

So, to consider any farm adjustment program realistically, we must take these kinds of consequences and costs into account. The long-run farm adjustment problem extends far beyond the farm—to community life, community businesses and the industrial sector as well.

## The Possibilities . . .

A number of different assist-

ance or compensation programs might be used to encourage regional adjustments. And it looks as if three distinct kinds of programs would be called for: (1) programs to shift land to other uses, (2) programs to aid people to relocate in other areas or occupations and (3) programs for community reorganization and development.

It's helpful to think in terms of these three types. But it's still essential to view them as related parts of the whole, to be carried out as a whole. Otherwise, the job would be only partly done—with the prospect of a situation developing that would be even more undesirable than the current farm surpluses.

Various methods might be used to encourage the shift of land from surplus crops to alternative uses on an area or regional basis. Each would have to be judged on its own merits for a particular region. A program effective and suitable for one area might not be for another. Combination programs might be needed in some areas.

Three of the possibilities to assist in shifting land from surplus crops to lower alternative uses are: (1) direct payments of the conservation reserve type but extended for longer than the present limit, (2) public purchase of land-use easements under which farm operators would "sell" their rights to grow certain crops and (3) public purchase of whole farms. The public would have to decide which of these, or other possible alternatives, would be the most preferable and acceptable.

*Conservation reserve* or soil bank types of payments to aid regional adjustments would need to be extended beyond the present limit in many areas. Some of the needs and possibilities of this kind of program have been outlined earlier in *IOWA FARM SCIENCE* (see, for example, the article on land retirement in the April issue or reprint FS-862).

*Land easements* are another possible means of encouraging necessary adjustments (see article by Melvin G. Blase in the August

issue or reprint FS-876). Through easements, a farm operator could sell his right to grow a specific crop for a definite period or for all time. He'd receive a lump-sum payment for giving up this right. Since the payment would be "once and for all," it wouldn't be capitalized into land values as is the tendency for continuing payments or the promise of continuing price supports.

*Purchase of whole farms* within regions with a low economic advantage for crop production is another possibility for eliminating surplus production. It may have considerable merit in areas where farms are small and shifting to nonsurplus crops requires a much larger unit for profitable production. The government, for example, might purchase farms at current prices and resell them later at prices more in line with alternative uses for those families in the area who wish to and can remain in agriculture. It would probably be necessary to restrict the use of this land to prevent future surpluses.

This also is a method that could be used to expand public and private recreational facilities — a much needed development in many areas. Selected sites, developed and undeveloped, could be resold to the public. In the TVA area, for instance, there are many former farm operators who are now the operators of motels, fishing camps, etc.

These may be only a few of the possible methods that could be used to assist in the shift of land from surplus crops to other uses. There may be other means more acceptable to farm families and the general public. The main thing is that the means should be realistic in terms of bringing an end to the farm surplus.

### **Sidelights, Too . . .**

An over-all adjustment program would also require many related and supplementary aids; for example, educational and job information aids to help people in the rural communities of specific regions to find alternative employment. Such programs would need

to provide: (1) vocational guidance, especially for younger people in deciding on occupations; (2) centers for vocational education to provide skills for a wide variety of jobs; (3) assistance for farm youth who have the desire and ability to attend college; (4) up-to-date information on jobs available and on jobs in prospect; (5) information on jobs that require no previous training or for which training is provided by the employer.

The last information would be useful to many established farmers who, because of limited opportunities in farming, might wish to move to nonfarm jobs. Information would be needed on the locations of these jobs and on the community life, customs and job stability at various locations.

Credit facilities to encourage creation of more economic farm units could be used in many areas. Shifts to crops such as grass and livestock would require larger farms than many of current size if incomes are to be satisfactory in terms of today's standards in the United States.

Finally aid would be needed as part of the over-all adjustment program to assist community reorganization and development in areas of declining agriculture. Federal funds might be used to buy up small farm-service businesses and to promote feasible industrial development in these areas. Both federal and state aid might be necessary for school reorganization where industrial development isn't practical.

### **In Brief . . .**

A realistic farm adjustment program on a regional basis to bring farm output back into balance with demand offers one feasible and positive solution to the farm problem. It should be considered as a possible and important alternative along with others.

A following article will deal specifically with the feed-grain and wheat surplus. It's based on an analysis designed to pin down regions in the United States that aren't in a competitive position in grain production, given the present surplus stocks.