

What About Soil Bank Proposals? Ag Economics Extension Answers

(Editor's Note: What about the soil bank proposal? A soil bank has been proposed as a method of reducing surpluses and thereby raising farm income. Therefore, it seems to be an appropriate time to examine some of the factors involved in the proposal. — Fred Robertson, Agricultural Economics Extension, The Pennsylvania State University, University Park, Pa., from "Pennsylvania Farm Economics," No. 10, March, 1956).

The problem of falling farm income is not a newcomer to the American scene. Farmers have traditionally suffered from ups and downs in the farm price level. During periods when economic activity is relatively high, farmers in general have done well. However, during depressions they and all other folks have usually been hard hit. Farmers today find themselves in the unhappy position of seeing farm income decline while incomes in other industries have risen and remain at a record high level.

This unusual situation has been recognized as a weak spot in our national economy by nearly everyone. Both major political parties are committed to an agricultural policy which will help farmers to receive income from the use of their capital and labor comparable with the income paid for similar employment of capital and labor in the rest of the economy. Production controls and Government support of prices appear to be the accepted means of achieving this goal. The real issue appears to be how this shall be done rather than whether it should be done.

Story on Production Controls
Few people deny that there is record production of many commodities in agriculture. The fact that surpluses do exist coupled with the fact that a small surplus of many agricultural products will bring about a large drop in price, places farmers in a particularly weak position. The role of weather and technology in agriculture production, however, makes it difficult to adjust supplies with a high degree of accuracy even through the use of production controls. By contrast, other industries upon which agriculture depends both for markets and raw material often make effective use of production controls. Industry maintains the balance between supply and demand by adjusting

output of whatever commodity they are producing. This holds prices of things farmers buy relatively stable. In trying to maintain income farmers tend to maintain or increase output and see the prices for their products vary. Thus it follows that production controls have some appeal to farmers as a means of increasing prices of agricultural products regardless of the difficulty involved in controlling supplies. Particularly so, since one of the characteristics of most agricultural products is that farmers as a group stand to get a greater total return from a small crop at a higher price than from a large crop at a lower price.

FAVORABLE PRICES

A desirable companion of production controls in maintaining income is a favorable price for the commodity produced. The price which is generally accepted as being desirable is parity price. Parity is a relative price aimed at giving farmers the same ability to buy as they had in a period when agriculture was in good balance with the rest of the economy.

Price supports have been used to achieve various purposes, depending upon the time. Prior to World War II they were used primarily to raise farm income. During the war they were used to encourage production of certain commodities needed to win the war. Now they are being used mainly to bolster farm income and stabilize supply.

Since the war, price supports have ranged from zero on some commodities to over 100 per cent of parity for others. Generally the range has been from 60 to 90 per cent.

Price supports are sometimes spoken of in terms of either flexible or rigid price supports. The definition used for rigid supports is a stated level of price, such as 90 per cent of parity, which does not change as the

New Owner of Sale Topper



Paying \$2,000, J. H. Sprecher (above) set the top on the Eastern Polled Hereford association sale when he bought ING Lady Larry 13th, consigned by Ingleside Farms, Falmouth, Va. Mr. Sprecher is building a herd with a good potential near Lebanon, Pa. (Lancaster Farming Photo).

supply of the supported commodity changes. Flexible supports are defined as a support price which may vary between two levels, such as 50 to 90 per cent of parity, as the supply of the commodity increases or decreases.

Price Supports and Efficient Farming

It is often heard that high price supports promote inefficiency. These folks say price ought to be set at the market place and thereby regulate production. Also, when price is supported above the free market price, production is stimulated and surpluses accumulate; this is a misuse of productive resources. Arguments by others in favor of rigid support say that a high price support removes some of the uncertainty of low prices; this encourages investment in improved technology which makes for efficient production. Also, farmers spend their money readily and high incomes in agriculture bolster the rest of the economy.

Farm Policy and Alternatives

Agricultural policy proposals aimed at promoting economic efficiency sometimes call for rather drastic changes in the production pattern on many farms. The difficulty in finding suitable alternative methods of maintaining farm income has not always been recognized. Nevertheless, it is likely to be uppermost in the minds of farmers themselves. Therefore, dairy farmers, poultry farmers, potato farmers, fruit growers, cash grain farmers, and others are likely to look at change in agricultural policy in terms of the effect on their individual farm operation.

Farmers with high fixed costs and large investments seldom favor reducing the size of their operation. They are usually anxious to recover as great a portion of their long-time investments as rapidly as possible particularly so if they are getting along in years.

Current Proposals

A soil bank plan has been proposed by the President to implement the Agricultural Act of 1954. The proposal is composed of two parts, namely (A) Acreage Reserve and (B) Conservation Reserve.

(A) Acreage Reserve

Land would be retired from regular acreage allotments of corn, wheat, cotton, and rice. The objective is primarily to reduce production of allotment crops.

Pennsylvania farmers are not expected to be directly affected or concerned with the acreage reserve part of the soil bank. However, it is a measure to reduce surpluses through restricted production, thereby

raising the price of the commodity. Therefore, a long-run effect could be to increase feed cost to purchasers of commercial feeds, such as dairymen and poultrymen.

(B) Conservation Reserve

This part of the soil bank proposal is aimed at taking less productive cropland out of production. In order to be eligible for inclusion in the conservation reserve, land must have been used for row crops or small grain in at least one of the last three years. The goal is to put as much as 25 million acres of low productive land into other uses, such as forage, trees, or water storage.

The Senate Committee on Agriculture and Forestry recommended similar provisions with respect to the soil bank, but recommended a return to rigid price supports for certain commodities.

Areas of Controversy

The principal area of disagreement in the debate over the farm bill is the level of price support and its effect on the surplus problem. Therefore, it would be well to keep in mind the commodities which are to be supported when evaluating the proposals.

Much controversy arising from lowering the level of price supports stems from its effect on individual farm incomes. Thus, there emerge two different points of view which have never been successfully reconciled in agricultural policy, (1) economic efficiency and (2) the protection of individual farm incomes. These two points are likely to have an important bearing on

Octoraro Farmer Club Reports Feeds Adequate

Octoraro Farmers Club held the March meeting on Saturday, March 17, with Mr. and Mrs. Levi B. Pownall, Christiana. All families were represented but four.

A short business meeting was held before the dinner hour with president, Ammon Huber, in charge. The club re-convened for the afternoon session at 2 p. m.

Devotions were in charge of Elma K. Maule. The inspection committee, Tom Halladay and Walter Ferguson, reported everything in good shape, with plenty of feed for the beef cattle.

The program consisted of the following questions which were discussed by the group: "What in your opinion makes the best type of farm implement shed?" "Can anyone suggest ways to make use of old baler twine?" "In addition to tidiness and cleanliness, what is the best method of ridding a-barn of rats and mice?" "What farm implements would you consider the essential minimum on an average dairy farm?"

The group sang "My Wild Irish Rose," and James Jackson Jr. gave a report on his 4-H project.

The host's essay was given by L. B. Pownall on "The Life of a Beef Cow." David Huber told of "The Flying Farmer" and Mrs. Almus Shoemaker gave some experiences from her recent jury duty in Philadelphia.

Roll call was responded to with Irish jokes. Club will meet at the regular time in April with Almus and Kathryn Shoemaker.

The problem before the republic today is how to spend money without limit and without taxation.

the content of farm legislation that emerges from this session of Congress.

Meaning to Pa. Farmers

From the standpoint of most farmers in Pennsylvania, the particular issues being debated are not the most important ones facing them today. More important to Pennsylvania farmers is that business activity and the purchasing power of the consuming public remain at a high level.

If the conservation reserve becomes law it will present farmers an opportunity to retire land from cultivation.

It is probable that the incentive payments for diverting the cropland and the annual rental for the life of the contract will make participation a feasible alternative.

Participation in the acreage reserve by Pennsylvania farmers will probably be negligible. Relatively few farmers have large acreage allotments of eligible crops in this state.

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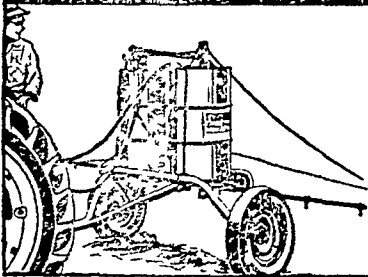
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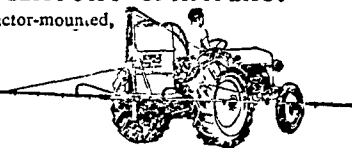
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