Thus, although agriculture is gaining, is narrowing the gap percentagewise, productivity per man-hour in agriculture remains comparatively low. Wherever we go in the world, real wages are determined primarily to productivity. This is no less true in U.S. agriculture.

Thus there is mighty little fat for the unions to slice off. They would soon draw blood.

FARM COSTS AND INCOME

A crucial element affecting farm incomes is that in an inflationary economy, farm costs rise faster than farm incomes, and are becoming a steadily larger percentage of gross returns.

This is illustrated below. And we set forth in this table the trends in growing farm income, production expenses, net income, and the ratio of expenses to gross income.

FARM INCOME—GROSS AND NET

[Dollar amounts in billions]

	Gross income	Production expenses	Net income	Ratio expenses to gross income (percent)
1950	$33.1	$19.4	$13.7	58.6
1955	33.4	21.9	11.5	65.5
1960	38.2	26.2	12.0	68.6
1965	45.9	30.7	15.2	66.9
1966	49.3	33.2	16.1	67.4

Source: "Farm Income"—USDA. (Does not include inventory changes.)

It is this last column to which I would particularly like to direct your attention.

The percentage of gross farm income represented by farm costs has been steadily increasing, although in the past 2 years it is not quite as large as in 1960.

The upward trend in costs relative to gross income is continuing. Farm prices in 1967 are running about 7 percent less than in 1966, gross income will be down, production expenses will be up, net farm income will decline at least a billion dollars (and that is a very conservative estimate) and the ratio of expenses to gross incomes will reach an all-time peak of about 70 percent. Farmers must get their returns—their labor return and their capital return—from the 30 percent.

In April of this year farm prices averaged 72 percent of parity, the lowest parity ratio since 1936.

I would like to make a correction in our statement at this point: The concluding phrase of this sentence should be corrected to read, "the lowest parity ratio since the summer of 1934." The cost-price squeeze in agriculture is hurting farmers bad. Farmers are being killed by costs. Farmers are more indignant about the current situation than I have ever known them to be.

The margin is thin. Farmers are leaving agriculture for more gainful employment at a rate exceeding 100,000 a year. Enactment of H.R. 4769 would narrow the margin still further and hasten the outmigration from agriculture.