

TRADE POLICIES—COOPERATION AND UNDERSTANDING

Turning now to the matter of trade policy and the position of the organization I represent. Trade is a two-way street. It is best carried on where a well-defined set of rules governs the flow. Such a set of rules is necessary in a world where all major agriculture producing nations have domestic price support programs as well as restrictions on imports of agricultural and industrial goods.

It is a matter of common sense to realize (1) that everybody would be better off if we produced and distributed more goods, and services, in the most economical manner possible and (2) that people all over the world have common aspirations, needs and vested interests similar to our own.

In terms of the total economy of the free world, this means that each country should produce what it can produce most efficiently trading the excess for goods produced more efficiently by other countries. This, of course, is the premise underlying the regional market arrangements.

We are cognizant of the fact, however, that in existing ways of conducting trade we have a network of human institutions such as laws, custom, investment in plant, etc. Every nation has attempted to solve its own economic problem in its own way. In agriculture, for example, the aim in every major agricultural producing nation has been to raise the relatively low income of farm families. In this connection, the justification for assisting farmers in the United States needs no amplification. Congress on many occasions has passed vitally needed and important legislation to give some measure of stability to prices and to income of agricultural producers.

In the United States this has been accomplished in various ways. Two examples of such Congressional action on the trade front are Section 22 of the Agricultural Adjustment Act, as amended, and Section 8(a) of the Trade Agreement Extension Act of 1951.

In spite of record-high exports in fiscal years 1965 and 1966 farm families are not doing so well economically. Compared with other groups in the economy, farm-family incomes are low.

The average income of persons on farms is less than two-thirds—about 60 percent—of the per capita income of the non-farm population.

Farmers who are 7 percent of the population receive only 2.9 percent of the Nation's income excluding income from services.

I challenge those who call farm prices inflationary and who want to whittle them down to look as farmers do, at the current parity price levels of commodity prices in the market place. (National average figures, June 15, 1967.)

Beef cattle were at 80 percent of parity—down 7 points from a year ago.

Wheat was selling *in the market* at 57 percent of parity with certificates on domestic consumption bring producer returns to around 70 percent of parity.

Corn prices were at 78 percent of parity.

Soybeans with a near balance between supply and demand, although a large crop is expected in 1967, brought only 82 percent of parity.

Egg prices (seasonally adjusted) were only 63 percent of parity.

Cotton, 46 percent of parity.

Rice with smallest carryover in a decade, 75 percent of parity.

Peanuts with a good workable program of supply control, 80 percent of parity.

Manufacturing milk, 84 percent of parity.

Butterfat, 77 percent of parity.

All milk at wholesale level, 88 percent of parity.

The total net income of farm operators, excluding inventory change is down 10 percent from 1947-49 to 1966—\$16.8 to \$15.2 billion. Per farm income has increased only because of the declining number of farms. *The simple fact is that while farmers are worse off, most everybody else is better off.*

In spite of these economic troubles, we hear a great deal these days at home, about how a freer domestic agricultural economy would promote trade and about the need to reduce the difference between domestic agricultural prices and world prices. This talk does not emanate from agricultural interest or the sincere representation of agricultural interests.

The fact is that there is no such thing as an automatically-operating free market system. Any market is free only within a framework of law, property rights, wealth distribution, trade practices, and other rules of the game. In this connection every major agricultural nation in the free world has some kind of price support program.