

Mr. Le Roux makes much of the point that the percentage return on all farm investment was lower in the years 1961-1965 than in previous periods. But he fails to take into account that much of the capital increase in agriculture has been the result of rising land values. From 1961 through 1965, total value of farm assets increased by \$33.6 billion of which \$28.0 billion or over 83 percent represented increases in the value of real estate. Most of this "investment" increase reflects nothing more than the rise in land values. In fact, these rising values have provided substantial capital gains to farm owners, and land prices continue to increase.

The farmers' share of both the consumer dollar and the food dollar have declined. It is, of course, a well established principle of economics that as consumer incomes rise the proportion spent for food declines. But this has no necessary implications for farm income. A family with a \$5,000 income spending 25 percent for food contributes \$1,250 to total food expenditures of the nation, but one with \$10,000 income spending 15 percent for food contributes \$1,500. The declining percentage of consumer disposable income spent for food tells us nothing of farm prices or farm incomes.

The farmers' share of the retail food dollar has been at or under 40 percent since 1956. This is another measure, like net income as a percent of gross, that is affected by the movement of certain functions from the farm to other specialized firms and industries. Historically, the trend has been toward greater specialization in production on the farm, with input producing functions (chemicals, farm machinery, etc.) as well as processing and marketing functions being taken over by specialized nonfarm firms. The farmers' share of the retail food dollar varies widely by product reflecting variations in the resources used in farm production of a product and those used in processing and distributing after farm sale. A larger share of the consumer food dollar today goes for products that are ready to serve or cook. There are more foods available on a year-round basis than ever before. These additional services add to the costs of transportation, refrigeration, packaging, storage, etc. But again there is no necessary relation between these proportions and the net income position of farmers, as farm net income realized in the past five years clearly demonstrates.

Other measures used by Mr. Le Roux have interpretations equally irrelevant for understanding the present income position of American farmers. The Council is very much interested in seeing that farm incomes keep up with those in other parts of the economy. But we all need to be sure that we are interpreting correctly the present record. The interpretation given by Mr. Le Roux is not useful in this respect.

Chairman PROXMIRE. Congressman Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman.

Mr. Ackley, I want to indicate I do not agree with this Republican statement which seems to predict we can do the gymnastic feat of falling off both sides of the tightrope at one time, but I do share the concern expressed here by Senator Jordan about our forecasting techniques and the suggestion that seems to be presented to the Congress that we should decide today or in the near future on a tax increase to take effect July 1.

Would it not be wiser to wait nearer to the proposed effective date before making this decision and then presumably as we get closer to the date, our forecasting can be more accurate?

Mr. ACKLEY. Mr. Moorhead, I agree it might be useful if it were possible not to present an annual budget and an annual economic report, but to dribble out the proposals and forecasts a bit at a time. But we do have this institution of the annual budget and legislative program which has to be presented on the basis of the best evidence, the best projections, the best forecasts of which we are all capable at the time.

It was on that basis that these proposals were made. Obviously, we have to keep an open mind and watch events. Certainly none of us claims to be infallible in terms of forecasting, least of all the Council