THE FARM SECTOR

This is particularly pertinent to the problems which beset American farmers trying to retain some semblance of equity with the rest of our economy when the economy is expanding at a relatively rapid rate. In this regard, last year's accomplishments were not spectacular. The index of prices paid by farmers for their production inputs increased from 114 to 117 last year. Only feed and fertilizer held steady, and feed holding steady was the result of steady to downward prices on feed at the farm level. The higher non-farm wages and profits were reflected in the index for the cost of motor vehicles, a major item on every farm, increasing from 117 to 122, up 5 points. Machinery, the major item necessary in a technogically advancing agriculture, was up from 124 to 130, or 6 points.

Interest went up from 232 to 259 on the basis of the interest paid per acre of farm. Taxes were up to 178 from the previous level of 166. Wage rates rose from 135 to 146, all based on a 1958 figure of 100.

The increase in the index of assets of 11.7 was largely accounted for by the increase in real estate of 9.5. This is a classical pattern of investment and hedging when there is a possibility of inflation. Another way of saying the same thing is that in the consumer indices, durables were up 1.6 and non-durables 3.4, and the services up 6.1.

With the increased interdependence of farmers on the rest of the economy, the increase in the services as well as in automobiles and machinery were a prime reason for the decline in net earnings. Although no breakdown is given for the increased costs of medical services in rural areas, for city wages and clerical workers, medical services were up 11.7 points in the index. For the rural people, this simply means that the medical service is not available in many rural areas, the doctors requiring the patient to go to the city and their costs, therefore, are greater than their city cousins because of the cost and added expense of transportation, whether it is the patient going to the city, or occasionally, when a physician is found who is willing to make house calls, an increased charge for house calls in the country. Thus, the area which is at the bottom of the list in terms of medical services available is at the top of the list in terms of the costs of these same services. The President has properly pointed this out as one of the areas of major concern.

In terms of the relationship of the farm dollar to the rest of the economy, only the dairy industry showed an improvement in their parity ratio last year, it being up from 114 to 119. Poultry and eggs were down from 102 to 84, food grains down from 87 to 84, feed down from 112 to 108, while tobacco was up to 114—its highest level. The result was that cash receipts were down 17 points and net farm income was down $283 million for the farmers while the output was up from 113 to 117, with output per man hour up 6 points to 167. The most dramatic increase in output, explaining some of the drop in prices, was the 22 points increase in the output per man hour for crops and the 6 point increase in output of livestock. This also helps to explain the decline in farm population of 595 thousand people last year, down to 11 million.

Thus, we see the familiar pattern of lower farm population, increased inputs into machinery to replace hand labor, followed by migration into the cities with many of these people having no saleable skills and contributing to the unrest in our cities.

Had it not been for the dramatic increase in exports, with a total increase of $4.126 billion, of which agriculture apparently contributed more than $2.5 billion, the picture would have been even worse. This not only prevented a further decline in agricultural prices, but it made a major contribution to our balance of payments. The Administration, especially the U.S. Department of Agriculture, deserves a big vote of appreciation for its export program.

We did note with approval the deletion of the refernce to farm income last year which proposed no interference with the laws of supply and demand as the determinant for the allocation of resources in agriculture. We hope that the statement previously referred to that federal economic policy no longer relies primarily on the "automatic stabilizers" built into our system or waits for a recession or serious inflation to occur before measures are taken, includes agriculture with the rest of the economy. Indeed, as we look at the action taken by the Department of Agriculture this year to shore up farm prices—32 separate actions in all—we are confident that the previous policy has been reversed and we are pleased to note this change. To leave agriculture subject to the vagaries of the market and the inelasticity of the demand for food over against a number