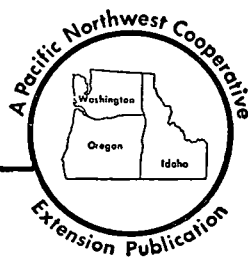


Which Wheat Program?

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Foreword

What we have in the way of a wheat program depends on each of us. To choose the best program, we must understand the problems, consider what each plan is, what it will do *to* us and *for* us over a period of time, and how it will affect the other fellow.

Six programs that have been suggested for wheat are summarized in the next few pages. The discussion of the probable effects of each program has been developed by a group of agricultural economists from the land-grant colleges of Oregon, Washington, and Idaho. In several situations, it is difficult to determine what the effects would be. Research is underway to determine these effects more definitely. Some may not agree with the conclusions, but all may get a better understanding of the proposals through study and discussion of information on them.

With these thoughts in mind this bulletin was prepared. Much additional background information is available. Your County Extension Agent can help you obtain other publications and information on specific questions. He may also be able to help you arrange discussion meetings where there is enough interest.

The authoring committee appreciates many helpful suggestions offered by their college associates and others who reviewed preliminary drafts of this material.

The committee offers its conclusion mindful that many possible effects of the various programs have been omitted in an effort to be brief. Changes in any of the programs as discussed herein could alter the probable effects considerably. The committee suggests that study of farm programs should be a continuing process.

This bulletin was prepared by a committee of Agricultural Economists of the Extension Services and Experiment Stations of Oregon State College, University of Idaho, and the State College of Washington, and was published cooperatively by the three institutions.

Which Wheat Program?

IN THIS BULLETIN we shall take a quick look at six programs for wheat that have been tried or suggested. We shall see presented briefly the main features and probable effects of —

- Rigid Price Supports
- Flexible Price Supports
- Domestic Parity Plan
- Compensatory Payments
- Forward Pricing
- Free Market Prices

But, before we study these plans, let's see what the problems are, who is concerned, and consider a few related points.

Our national problem

When the 1954 wheat harvest started, we had nearly a year's crop on hand in this country. The stocks will be even larger when the 1955 harvest starts, unless we find a bigger market this year. Chances for much increase in sales are not very good.

Valuable resources have been used to produce wheat that cannot be sold at the prices that encourage this production.

We have been geared to produce more than a billion bushels of wheat a year in this country, but we use only half a billion bushels for food. We have used some for seed, fed a little to livestock and poultry, and tried to export the rest. During and right after

the war, when many other countries were short on food, we exported large quantities. Much was given away. Now our wheat exports have decreased, mainly for three reasons: Our high prices; our cuts in foreign aid; and the rapid recovery of world wheat production.

Our Northwest problem

Here in the Pacific Northwest, we are hit especially hard by the drop in exports because we were shipping out more than three-fourths of our wheat. Less than one-fifth of our Northwest wheat has been used in this country for food. Some is fed. More wheat was fed in some earlier years when wheat prices were low enough to com-

pete with corn and barley. Ton for ton, wheat as a feed for most livestock is worth practically the same as corn and barley. For poultry, wheat is worth about 10% more than barley but 10% less than good corn.

Our Northwest wheat is not needed for food in large amounts. It has been used mainly in specialty flours for pastries, cakes, cookies, and crackers. Very little is used for bread flour.

Wheat growers in the Northwest and elsewhere are aware of the present program of acreage allotments to cut wheat production and have heard of the coming cuts in support prices. Income from wheat is being lowered through restrictions on plantings. In 1955, lower supports will reduce income further. At the same time, prices of things used by wheat growers are staying high.

Beyond 1955, more cuts in support prices are authorized; and there is a chance for strict controls on use of diverted acres. A sharp cut in wheat growers' incomes could come.

The big question

What's the best way out of this predicament, especially over the long-pull? Finding the answer to this question is a big job. Among other things, we are looking at the possibilities of national legislation.

Various plans for dealing with our wheat problem have been suggested and some have been tried. Not one of them is ideal; they either require strict controls or lower prices. No way has been found to give complete freedom to grow as much wheat as we like and assure high prices all of the time.

So, what type of wheat program do we want—what combination of control and security?

Others are concerned

Remember, wheat growers are not the only group concerned. Many other people are affected by, and are vitally interested in, our national wheat program. Among those directly concerned are:

The farmer producing feed grain—

When wheat is priced above feed grains, it is kept off the feed market. When wheat is priced the same as, or below feed grains, it goes into the feed market. That tends to reduce prices and incomes from feed grains. Acreage allotment programs that permit feed grains to be grown on "diverted" wheat land do this, too.

The livestock, dairy, or poultry producer—

Feed is one of his major costs. Wheat priced for feed use would be to his advantage. This advantage would be greatest in areas where wheat is plentiful and feed grains are short of needs. The Pacific Northwest is such an area.

The handler or processor—

He wants an adequate supply of wheat with a minimum of restrictions on his business.

The consumer—

The consumer wants adequate supplies of food at reasonable prices. Cost of wheat is only a small part of the price of a loaf of bread; and wheat products are only a small part of the food budget. Yet, "bread" through the centuries has been a fighting word. Consumers are suspicious of any program that raises wheat prices.

The taxpayer—

He's each of us as he pays taxes to support a wheat program. He's interested in the costs even though wheat program costs take only a small part of the tax dollar. He wants to know how much money goes into payments to growers, government purchases, storage, subsidies on sales, and into wages to pay people to operate the program. He also wants to know how much he is benefited directly or indirectly.

Administration—

The program needs to be easy to handle and in the national interest.

Other nations—

People in other countries are also watching our wheat programs. The things we do with wheat either help or hinder them in their efforts to buy and sell at home and abroad.

Another point or two

Interests of all these people need to be kept in mind when considering farm programs. There are many other things to consider, too. At least three of these seem important enough to mention here.

First, we need to consider food needs and preferences of our people. Looking at the country as a whole, and at the Northwest in particular, we should be producing and feeding more crops to livestock. At our current high income levels, there is a big demand for livestock products, especially for meats. It is very difficult to increase sales of wheat in the form of bread, but much could be sold in the form of meat.

Second, we need to remember that conditions growing out of past pro-

grams influence the results of programs that follow. For instance, the large stockpiles of wheat now on hand will have a big effect on future prices, subsidies, and controls regardless of what program is adopted. Often a new program is credited with, or blamed for, the conditions that really grew out of the preceding program.

Third, there often is a big difference between *short-run* and *long-run* effects of any program.

Take the case of high, rigid support prices for wheat. For several years, farmers felt no bad effects of this program. They felt only the favorable effects of high prices and good incomes.

Those were short-run effects. Then, supply began to exceed demand at these high prices. The law permitted subsidies on exports. These were used. The law did not permit subsidies on sale of wheat to livestock producers in this country. Stocks began to build up. In time, strict acreage controls had to be applied or supports lowered drastically.

Most growers have voted for controls so far. These controls are taking some land out of wheat that should be kept in wheat, and are keeping some land in that should go out of wheat into other uses.

What wheat growers vote for in the years ahead depends largely on the choices they have and how well the short- and long-run effects of these choices are understood.

Final choice of the program rests with all who express opinions and register votes, but wheat growers can take the lead in understanding the problem and working for the best solution for all concerned. Others are not likely to do this for them.

Rigid Price Supports

WE HAVE had "rigid" supports for wheat. Under this plan the price of wheat was supported at a fixed percentage of parity, regardless of supply. We have heard most about the 90% level.

The government has guaranteed 90% of "old" parity, through loans and purchases. To qualify, growers must keep their acreage within the allotted amount when supplies are large. Supports based on "old formula" parity have changed little in recent years because prices paid by farmers have held fairly steady.

Supports based on "modernized" parity would be lower and less rigid. In fact, "modernized" parity, if allowed to operate, will eventually approximate the market price.

What this means to—

Wheat growers

They are protected from abrupt and drastic price declines but not from a drop in income.

Growers are assured loans based on 90% of parity if they comply with allotments, find satisfactory storage for their crop, and produce wheat good enough to qualify for a loan. Supports drop to 50% of parity if quotas are not approved by two-thirds of growers voting on them. At 90% of parity, farmers want to grow more wheat than can be marketed at this price. Then stocks pile up, and acreages must be reduced.

Acreage cuts hurt little where farmers can put their land into something else that will bring almost as much return as wheat. But allotments hit incomes pretty hard in many wheat areas

that have few other crops to plant on diverted acres.

There is little chance to increase allotments above those for 1955 under foreseeable conditions. The national total of some 55 million acres is about 30% less than planted for harvest in 1953, before controls were applied.

With allotments and quotas in effect, growers face marketing penalties on wheat in excess of marketing quotas. The penalty on the 1954 crop was 45% of May 1 parity, or \$1.12 a bushel.

Feed producers

They are protected against direct competition from wheat because wheat at 90% of parity is much higher priced than corn, barley, oats, or other feed grains. But, unless ruled out by the Secretary of Agriculture, feed grains

may be grown on surplus wheat land. This added about 5% to the nation's feed supply in 1954 and tended to keep feed grain prices lower than they would have been otherwise.

Livestock producers

They feed very little wheat because it is too high priced, even in areas where much wheat and little feed grain is grown. Here in the Northwest, for instance, feeders buy Midwest corn and pay freight to get the corn out here instead of using wheat for feed.

Effects of this program on livestock production and prices depend on use of diverted acres. If feed grains are permitted on diverted wheat acreage, barley will replace much of the corn used for feed in the Northwest. Cattle would increase if use of excess wheat acreage were limited to hay and pasture. There would be little effect on livestock producers if diverted acres were left idle.

Handlers and processors

They are assured an adequate supply of wheat at a fairly stable price. They shift part of their risk of storage and change in price to the government.

The government enters into the business of buying, selling, and storing wheat. Prices are influenced to a considerable extent, although not absolutely controlled.

Consumers

The difference between the cost of wheat at 90% of parity and the "free market" price is reflected, at least in part, in the price of wheat products.

Even so, consumers are not affected much economically. Psychologically, they are affected more. They do not like to see food prices held up artificially; but they are assured adequate

supplies of wheat for usual and emergency needs.

Supplies of livestock products will tend to increase if diverted acres are used for feed production.

Taxpayers

They find rigid supports add to their taxes in three ways:

1. Storage and interest charges on government stocks.
2. Losses on wheat acquired at 90% of parity and disposed of at lower prices.
3. Salaries and expenses of people needed to figure acreage allotments, check grower's performance, handle wheat stocks, etc.

A few of these costs would be cancelled if conditions cause prices to rise above support levels.

Administration

The program presents problems of determining loan rates, domestic selling prices, export selling prices, and need for allotments and quotas. Allotments, when needed, must be distributed to states, counties, and individuals; and plantings must be checked.

Inspection and supervision of loans and stocks, and records of payments, receipts, and other details are required.

Other nations

Exporting nations like high rigid supports on our wheat because they tend to put a floor under world prices. Without export subsidy, our wheat is priced out of most world markets.

Some wheat-buying countries would prefer that we take our chances on a world price. Others, trying to protect their own food-grain farmers, like to see a floor kept under world prices.

Flexible Price Supports

FLEXIBLE price supports for wheat become effective in 1955. This plan involves "flexing" price supports up and down from year to year as supplies vary. It provides for price-supporting loans, purchase agreements, acreage allotments, and marketing quotas as under rigid price supports. The level of support is changed but the method is not.

Under present legislation, "flexing" is limited by a sliding scale. The upper support limit on this scale is 90% of parity. This applies when wheat supplies do not exceed 102% of normal.

As defined by the law, normal supply for the 1954-55 marketing season is slightly more than 1 billion bushels. The available national supply, before set-aside, is almost 1.9 billion bushels. After setting aside the 500-million-bushel maximum permitted, the supply is still more than one-third above "normal."

The lower support limit permitted under present legislation is 75% of parity. This applies when supplies are more than 130% of normal, except for 1955 when the bottom limit is 82½%. Between the limits of 75 and 90, support percentages are adjusted 1% for each 2% change in supply.

Also, after 1955, the transition from supports based on "old" parity to "modernized" parity starts. The parity price of wheat computed by the modernized formula in the fall of 1954 was 15% lower than parity computed by the old formula. This difference may increase or decrease, depending on the trend of wheat prices in relation to other prices.

What this means to—

Wheat growers

Growers are protected from abrupt price declines but the level of protection will be lower than under rigid supports.

Growers are assured price-supporting loans based on 82½% of parity for the 1955 crop. Loans can range between 75% and 90% of parity after 1955. Actually, there is little chance for market prices or loan rates above 75% of parity for several years.

For awhile, growers probably will be subjected to about the same restrictions on plantings and sales as under rigid supports. In time, lower supports would cause some producers with alternatives to shift from wheat. This shift would permit some increase in marketings by individuals who stay with wheat at the lower prices.

Stocks probably will not increase much so long as acreage allotments remain about like those for 1955. Odds

are against an increase in allotted acreage, since 1955 allotments would supply usual domestic and foreign outlets most years.

With allotments and quotas in effect, growers face penalties on wheat in excess of marketing quotas. The penalty in 1955 will be 45% of parity as of May 1.

Feed producers

In most parts of the country, except the Pacific Northwest, wheat at 75% of parity is priced as high as corn at 90%, even after parity is modernized. This protects corn and other feed grains from direct competition with wheat in most places most of the time.

This program tends to increase feed supplies and hold down prices when feed grains may be grown on excess acres. The acreage available for feed grain in 1955 is increased over 1954 by the additional cut of some 6 million acres in wheat allotments.

Demand for feed grain probably would increase in the long run if use of diverted acres were limited to hay and pasture.

Livestock producers

Wheat will be too high priced to feed in most places. The Pacific Northwest could be an exception. With wheat supports at 75% of parity, and corn at 80% or above, wheat in this area would be a little cheaper than corn.

The supply of feed grains can be increased and price lowered especially in areas where large acreages are diverted from wheat. Forage supply would be increased if diverted acres are limited to hay and pasture.

Feed grains, hay, or pasture on "diverted" wheat land would tend to

increase livestock production. Demand for feeder livestock would be increased some. Little effect on livestock producers would come from leaving diverted acres idle.

Handlers and processors

Conditions would be about the same as under rigid supports except that capital requirements would be reduced. Cost of wheat would usually be less than 90% of parity.

Bookkeeping requirements would be the same as under rigid 90% supports.

Consumers

They are practically assured as much wheat for food at 75% as at 90% of parity. The cost of bread and other wheat products would be changed little. Flexible supports have fairly good consumer appeal.

The supply of meat, milk, and eggs will be increased if feed is produced on surplus acres.

Taxpayers

Costs would be less at 75% of parity than at 90%. Chances to recover some of these costs would be greater at the lower support price. Losses on wheat sold abroad would be reduced.

Administration

Administrative responsibility and decisions would be about the same as under rigid plan.

Other nations

This plan has little effect on the quantity offered for export, since 75% of parity probably will be above world prices most of the time. Most sales abroad have been at prices below 75% of parity for some time.

Prices to importing countries would seldom be above 75% of parity.

Domestic Parity Plan

THE DOMESTIC parity plan has grown out of what was once known as the income-certificate plan. It is very similar to the so-called "two-price" plan described by House Bill 9680 of the 83d Congress.

This plan proposes to take advantage of differences in demand for wheat as food and for feed uses. It permits wheat to sell at or above its feed grain value, and provides for an extra payment on wheat used in this country for food when the market price is below parity.

The plan calls for use of income certificates, plus price supporting loans and acreage allotments. Certificates covering expected food use would be issued by the U. S. Department of Agriculture. These would be distributed to each grower in proportion to his usual share of U. S. wheat production. Each certificate would be valued at the expected difference between the parity price and the average farm price. Farmers could cash these. Processors milling wheat for domestic food would buy certificates and return them to the U. S. Department of Agriculture.

What this means to—

Wheat growers

Market prices would average around feed grain levels most of the time.

Growers' incomes would be supplemented by income certificates. These would assure 100% of parity on the share of the nation's wheat used in this country for food. Probably this would be about half the nation's wheat. Some of the remaining wheat would be exported but most of it would be used for feed.

Returns at least equal to government loan rates on corn would be received from wheat not used for food. Wheat would be supported at prices comparable to corn. Wheat at 60% of parity would be about the same price

per ton, nationally, as corn at 75% of parity.

Plantings probably would be restricted until accumulated stocks are reduced. The need for restrictions would decrease when feed use or exports increase.

Growers would sell all or part of their wheat at market prices, feed it, or store at feed grain support levels and still have additional income from certificates.

Under this plan, the Pacific Northwest would receive more certificates than its historical share of the domestic food wheat market. Once this plan came into effect, food wheat areas would likely try to obtain a redistribution of the certificates.

Feed producers

The support on wheat would protect prices of corn and feed grains in the main feed-producing areas of the country. Wheat would be fed in areas short of feed grain.

This plan would tend to hold feed grain prices down. The nation's feed supplies would be increased by wheat not needed for food, seed, or export. Perhaps as much as 300 million bushels a year would be available for feed. This amount would have increased the nation's feed concentrate supplies about 5% in 1954. Actually, increases in barley, oats, and grain sorghums grown largely on surplus wheat land added that much.

Livestock producers

Surplus wheat would be priced competitively with corn and other feed grains. Feed wheat would increase demand for feeder livestock. Cattle and hog fattening would increase in the Northwest. In time, this plan would tend to lower livestock product prices.

Handlers and processors

The government would play a relatively minor role in merchandising wheat. Buying, selling, and storing operations would decrease as use of wheat for feed increased. With supports at feed grain values, the government would still influence prices and limit the free play of supply and demand.

Millers could buy wheat when and where they were able. Purchase of certificates could be delayed until report of first sales. Records would be required on wheat purchases and disposition, including purchase and sur-

render of certificates on share of wheat used in domestic food products.

Consumers

Adequate supplies of wheat for food would be assured. The cost of certificates would add a little to the price of bread and other wheat products. The cost of the program would be shifted away from high-income toward low-income groups. This probably would attract unfavorable consumer reaction, even though supplies of livestock products would be increased and prices lowered.

Taxpayers

Salaries and other expenses of government employees to allocate certificates and operate the program would be required.

There would be some storage costs and losses on sales as long as feed grain prices were protected, but these costs would be smaller than under programs that offer payments or supports at higher levels on the entire wheat crop.

Administration

Problems of administration would be complicated. This plan requires all of the administrative decisions necessary under rigid and flexible plans. In addition, advance estimates of domestic quota, parity price, and market price would be required. Also, there would be certificates to handle.

Other nations

The plan has little effect on quantity offered for export, since wheat at corn support levels probably would be above world wheat prices most of the time. It would mean moderately lower priced wheat to importers but not less than the value of wheat for feed.

Compensatory Payments

THIS TYPE of program is in use for sugar beets and will be used for wool beginning in 1955.

Under a compensatory payment program, wheat would be sold in a free market for whatever it would bring. If the market price per bushel were less than the "support" price, wheat farmers would receive a government check for the difference, based on bushels marketed. Supports could be placed at any level deemed feasible by Congress or administrators. Supports could be varied by types and classes of wheat; or they could take the form of a percentage payment as is planned for wool.

A compensatory payments program could be devised to cover all agricultural products at the same time. The level of supports would vary among commodities. Under that kind of a program, farmers would choose enterprises that should give them the greatest income. They would use their land, labor, and capital as they think best.

Total wheat production under a compensatory payments program for all agriculture would be different from production where only wheat is involved, even though the total return per bushel from wheat would be the same in both cases. This discussion deals with compensatory payments for wheat only.

What this means to—

Wheat growers

Government payments would help maintain income to the extent that support prices were above "free market" prices. The program would protect against income fluctuations, resulting from annual variations in yield, only if support prices were raised in years of small crops and lowered in years of larger crops.

Without production controls, free market prices would probably be near wheat's feed grain value most of the

time. Wheat and corn prices would tend to rise and fall together.

No acreage allotments and marketing quotas would be needed to keep stocks from building up in government hands. Wheat not needed for food or export would move into use as a feed grain, or for industrial products.

Growers would be permitted to use or dispose of wheat as they wished.

Payments would be subject to the uncertainties of annual government appropriations. Upper limits could be

placed on total payments to an individual.

Direct payments would be regarded as "relief" by many people and disliked for this reason. Most farmers would prefer to be rewarded for doing something more evidently in the public interest. Any other attitude probably would lead to criticism by other groups.

Feed producers

Wheat would be competitive with other feeds and tend to force feed grain prices down. Feed grain income would not be protected unless feed grains were under a similar plan. Feed grain producers would shift to wheat if payments made this crop more attractive.

Livestock producers

More feed concentrates would be available. Forage feed supplies might be reduced. This would tend to increase costs of feeders but reduce costs of feeding. Swine and poultry producers would benefit more than cattle and lamb feeders.

Handlers and processors

This program would remove government from wheat merchandising and throw buying and selling on an open market basis.

Consumers

No program costs would be added to the price of wheat products. All costs would be paid in the form of taxes.

Milk, meat, and egg prices would be lowered by larger supplies.

Low income earners would benefit most.

Administration

The program would be easy to administer once the desired level of price support is determined. That determination could be made by legislative action rather than by the administrator.

Success or failure of this program would depend greatly on the level of supports and the ability of policy makers to reconcile conflict between the interests of taxpayers and wheat producers.

Taxpayers

The cost of income protection provided wheat farmers would be a direct burden on taxpayers. High income earners would pay most of the cost. Political pressures would weigh heavily in these decisions and tend to increase friction between commodity groups within agriculture.

When wheat is handled alone, this program would be more expensive, tax-wise, than a production control, loan-purchase type program. The cost depends greatly on the level of support in relation to feed grain prices. The higher the support price deemed desirable, the more expensive the program.

Other nations

Both importing and exporting countries would be dealing with us on a free market basis. Importing countries not concerned about their own growers would not mind. Other importers might raise tariffs or establish other controls to protect growers. Exporting countries would not like the price competition.

Forward Pricing

FORWARD pricing in agriculture means setting minimum prices for all farm products for a period of time. The period might be more or less than a year, depending on the length of the production cycle for the particular crop. The forward prices would be announced by the government before farmers decide what to produce.

Under this program, wheat farmers would know the minimum price of wheat before they plant. In addition, they would know the minimum prices for all other crops and livestock that they might raise.

The idea is to bring to bear all the information we have on our needs; then, set up a pricing system that will bring about the production we need. The prices set by the government would be intended to assure an adequate output of each commodity. When market prices fell below forward prices, the government would buy. In the next period, forward prices would be adjusted according to the stocks purchased so that these stocks would be used along with current production.

Forward prices remove short-run price uncertainties for each commodity and encourage farmers to produce crops most desired, as determined by the administration of the program. Over a period of time, forward prices must average about the same as "free" competitive prices in order to clear the market.

What this means to—

Wheat growers

This program would attempt to stabilize wheat growers' incomes and avoid large abrupt drops that go with price declines or production controls. They do not protect against changes in income that result from weather and other factors affecting yields. Wheat prices probably would average around wheat's value as a feed grain. Growers who could net more money from other crops would quit raising wheat.

No acreage controls would be necessary after an adjustment period.

A prolonged oversupply of particular commodities would be avoided by lowering prices to competitive levels that would clear the market.

Feed producers

Supplies would be increased and prices lowered by additional feed grain from land that was in wheat when prices were supported, and by wheat

produced in excess of domestic and foreign outlets for food and seed.

Feed grain and feed wheat prices would compare on the basis of their feed values.

Livestock producers

The forward pricing system probably would increase the supply of forage and feed concentrates. Wheat would be available as feed grain in areas where it brought more return than other crops.

Livestock production would increase. Prices probably would adjust downward. Lower feed costs would offset lower livestock prices. Feeder livestock producers probably would receive a larger share of the slaughter market price for their production. Even so, an increase in livestock production would result in a lower absolute price for feeder stock. Feeders would know their minimum feed and livestock prices and would bid for feeder stock on that basis.

Handlers and processors

They would know their minimum costs of agricultural products.

Marketing margins would not be affected much.

Consumers

Consumers' needs would be met with adequate supplies of each commodity at the lowest possible cost over a period of time.

Administration

They would face the problem of basic price-cost relationships among

commodities. These relationships change with changes in consumer preferences, purchasing power, and production efficiency.

They would also face the problem of the period for which to set prices. Varying production periods, uncertainties of weather, and other conditions make this problem very difficult. The price of each product would be continually under discussion by Congress. There would be many proposals for special areas, unusual conditions, and the like. Errors in judgment probably would be brought into political campaigns.

Taxpayers

Administrative costs and costs from mistaken judgments on prices would be the main costs to taxpayers. Some storage and subsidy costs probably would be incurred due to inability to predict supply, demand, and price with complete accuracy.

Other nations

There would be frictions with other nations while we were shifting to this system. Once it was operating, conditions would be quite similar to those expected to prevail with compensatory payments or free markets.

Exporting countries would have to compete with our wheat at feed grain prices.

Importing nations would find buying prices favorable but might try to protect their own producers by use of tariffs or other trade restrictions.

Free Market Prices

WE LAST saw free market prices for U. S. wheat in the 1920's. Since then prices have been supported by government action, either directly or indirectly.

Free markets were abandoned as farmers sought relief from hardships that came with sharp price declines following World War I. Prices of wheat dropped more than 50% from 1919 to 1929.

Prices of things farmers used to produce wheat stayed high. In 1929, the purchasing power of a bushel of wheat was only three-fifths of what it had been in 1919. U. S. farmers were raising almost as much wheat, yet it was bringing only 46% as much income. This pinch on the pocket-book caused farmers to turn to the government for aid.

Since that time several programs have come and gone. The ideal has not been found. Few farmers like restrictions that have come with past programs. Some put a high value on "freedom" and a lesser value on "security." Times have changed greatly. Some think free markets should be tried again.

What this means to—

Wheat growers

Prices and incomes would drop sharply unless the transition from supported prices to free prices were spread over several years. The large stockpile now on hand would add to the problem.

In time, prices would adjust to wheat's value as a feed grain. Prices would tend to rise and fall with corn prices, except at unusual times like war when sharp increases in world demand for wheat for food could bring large price advances, or at times of widespread crop failure in the U.S. or other important wheat-producing countries of the world.

There would be no income protection or stabilization other than the tendency for high prices to be associated with small crops and for low prices to be associated with large crops.

There would be no restriction on production or use of wheat. Areas where wheat could be produced to best advantage would remain in wheat. Other areas would shift to other crops, or pasture, or lie idle.

Wheat prices would not be related directly to prices farmers pay, as under support programs tied to parity. They would be related to other prices through the mechanism of competitive price adjustment.

At feed grain prices, wheat production would exceed our needs for food in peace time. Excess wheat would be exported or fed to livestock. Growers would be free to sell when and where they wished.

Feed producers

They would face competition from wheat for feed. Some feed grain would probably be grown on land taken out of wheat. This additional supply of feed would tend to keep corn prices below supports, at least until a new balance between feed production and feed requirements was reached.

Livestock producers

Forage and feed grain supplies would increase. Wheat would be available at feed grain prices. Demand for feeder livestock would be increased, but livestock and poultry prices would tend to be lowered.

Handlers and processors

Buying and selling would be on a free market basis at prices determined by supply and demand. Knowledge of the market and competition would be the basis for prices. Prices would depend on negotiations between buyers and sellers with a minimum of government regulation necessary to assure fair trading.

Consumers

No program costs would be added to the price of wheat products. Sup-

plies of milk, meat, and eggs would be increased and prices would tend to be lowered.

There would be some chance of inadequate supplies of wheat for food in times of war or very bad weather, although resources kept in wheat at the lower prices probably would be adequate most of the time.

Taxpayers

No tax money would be required directly to help maintain wheat prices or income; but wheat growers and other farmers would pay less tax and have less to spend in support of government services and the general economy.

Administration

There would be no problem so long as income did not drop to the disaster level in important wheat-producing areas. In that event, government might step in with various types of emergency aid.

Other nations

Exporting countries would face competition from our free market wheat. They would have to meet prices comparable to our feed grain values or offer other concessions in order to hold their customers.

Importing nations would have favorable buying prices but might use tariffs or other trade restrictions to protect their own food grain prices.

Other Plans for Wheat

Many other programs have been proposed to deal with wheat problems but have not attracted general attention. Some of these are—

Land zoning: This plan would restrict wheat production from areas that have close alternative cash-producing crops. For example, wheat might be prohibited in the Corn Belt. Range would not be considered an alternative cash-producing crop in the dry-land wheat areas because of the time required to obtain cash from re-established range.

Soil savings bank: This plan would operate somewhat like land zoning by taking land out of wheat production. The difference is that the soil savings bank program removes wheat land from each farm, not from whole areas. Farmers would receive a payment equal to interest and taxes on the land withheld from wheat production. When additional production is needed, the land would be returned to production.

Consumption subsidies for wheat: These could be in the form of export, food, or feed subsidies. The government would make payments on a "bushel basis" to users of wheat. At the present time, U. S. wheat exporters under the International Wheat Agreement are given subsidy because the export price is less than the domestic support price. Wheat consumption can be increased only slightly by food subsidies because of the small part that wheat cost is of the finished product. However, a substantial increase in wheat use could result from a subsidy for feeding wheat. Govern-

ment-owned wheat could be priced into the feed market without any payment to users.

Income insurance: This is similar to crop insurance. Farmers pay a premium in term of bushels of wheat for an assured crop. Income insurance would include both price and quantity factors. The problem is to collect enough in the good years to maintain income in bad years.

Cost of production: This idea is frequently mentioned but fails to recognize that no one average cost of production applies throughout the nation or even in a single county. Many of the costs of production are capitalized costs resulting from anticipated prices and yields. Such a program would present very great administrative difficulties. This type of program is to be tried in Australia, where wheat-producing areas are more alike than in the U. S.

Marketing orders: These are used for fluid milk, fruits, nuts, and other crops. Marketing orders work best where they apply to a small area with a homogeneous product and where producers have similar economic interests. Marketing orders, such as those on tree nuts, divide supplies among two or more outlets with different demand characteristics in order to maximize returns. The economic principles are somewhat similar to those of the Domestic Parity plan for wheat, but definite control is exercised over quantities sold.

Canadian wheat is marketed through a government pooling arrangement.

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