The agricultural policy of the United States is moving toward market orientation. This means a policy that offers mainly low-level price guarantees, with farmers relying more heavily on the market for their income. The policy does not depend on price guarantees that encourage unwanted production and competition. It encourages taking full advantage of available technology and the changing patterns of production to lower per unit cost of production.

This policy encourages American farmers to shift their production towards the commodities for which demand is growing - with special emphasis on livestock and livestock products. As consumers both in the United States and abroad enjoy rising incomes, the levels of demand for such commodities are rising much faster than the demand for foodgrains and their products. There are several reasons.

Changing consumer demand

There has been a rapid growth in consumer buying power and the recognition of consumer preferences for meat and livestock products. In the United States, it was clearly evident by the mid-1950's that consumers were prepared to spend more of their disposable income on high-quality livestock products - particularly beef and poultry.

As a result, United States farmers have been able to increase their gross receipts and net income by expanding livestock products and improving the quality of meat.

Beef consumption increased 80 per cent from 1950 to 1970 and per capita poultry consumption more than doubled. Particularly striking was the large increase in the proportion of high-quality beef produced for consumption - there was a 267 per cent increase during this period. At the same time, consumers' expenditures on food as a per cent of their disposable income decreased from 22 per cent in 1950 to less than 17 per cent in 1970.
Competitive position

A second reason for orienting United States farm policy toward the market has been the unfortunate experience the United States has had in losing markets as a result of keeping farm prices artificially high and holding back production. For example, United States cotton has lost a major part of its market growth to synthetic fibres, and a large share of its export market to foreign cotton growers.

When the support on United States soybeans was raised from $2.25 to $2.50 in 1967, the oilseed market growth was lost to fishmeal, sunflower oil, and rapeseed.

While the United States held back grain production during the 1950's and 1960's, other countries were encouraging theirs - and the United States share of the grain market fell.

The current United States agricultural policy, on the other hand, is aimed at boosting efficiency, cutting production costs, and competing in markets - while continuing to hold a large number of acres out of production.

Growing export opportunity

A third reason for market oriented farm policies is simply that overseas markets are expanding - more people are earning more money and are buying more farm commodities. The value of world trade in basic food and feedstuffs has increased nearly 50 per cent since 1952; last year it jumped 20 per cent.

Also, in assessing the overall United States trade position, it has become increasingly clear in the United States that United States agriculture and United States technologically intensive industry have strong comparative advantages and are areas to which the United States must look for increased export earnings. It makes sense for all nations concerned to allow these comparative advantages to be expressed in world markets, so that a more rational allocation of world resources can occur.

The Change from Past Agricultural Policies

Starting in the late 1920's, the United States recognized that as technology increased production efficiency, the persistent farm price and income problems would not go away as they had in the past. (While treating the principal areas
of United States farm production, the following discussion is relevant to other production areas, such as dairy, tobacco, and sugar.) Up until the mid-1950's, United States agricultural policy was basically pegged to high price supports, aimed at keeping farmers' incomes high through higher domestic market prices. In 1950, wheat was being supported at $1.99 per bushel and corn at $1.47 per bushel.

In 1956, the United States turned to land diversion - annual and long-term - in an effort to keep production in line with markets. Supports were still high, $2.08 for wheat and $1.58 for corn. But the main effort was on getting land out of surplus crops.

In the annual programme, price supports at higher rates were made available to producers who planted only their allotment acres to these crops. The allotment was based on what each farm had been growing during previous years. Growers usually planted their non-allotment acres to whatever crops they could grow that were not controlled.

Long-term land diversion - the Soil Bank - was also tried. A farmer could agree not to plant crops on his Soil Bank acres for ten years, in exchange for annual payments. The emphasis was on taking whole farms out of production.

Beginning in 1961 producers of feedgrains (corn, grain sorghum, and also barley, if the Secretary of Agriculture so designated) were required to divert at least 20 per cent of the land they had been planting to feedgrains to other uses, and were limited to planting 80 per cent of their feedgrain bases in order to qualify for price support loans, and land diversion payments. Wheat producers had to comply with their allotments which were further reduced during the 1960's.

During the 1960's, the acreage of land diverted grew quickly to between 50 and 60 million acres per year out of a total crop-land available of approximately 357 million acres. The only exception was 1967, when a famine in India and Pakistan, and mounting concern over the world's food supply led to a one-year expansion of acreages. During the same period, supports decreased. In 1964, wheat was supported at $1.30 per bushel and corn at $1.10 per bushel.

**Agricultural Act of 1970**

The Agricultural Act of 1970 made possible a very important change in United States farm programmes. It eliminated the system of crop-by-crop planting controls, which had been the heart of the old programmes, and instituted new acreage set-aside programmes.
The set-aside programme establishes the overall level of land diversion estimated to balance United States production and the market for this production. Each participating farmer then sets aside his proportionate share of this national land diversion requirement. He is then free to plant whatever crops will maximize his net income on his remaining acres. The set-aside programme does not dictate his cropping patterns.

As a result, there are major inter-farm and inter-regional shifts in cropping patterns that should significantly reduce United States production costs. The Corn Belt is now more heavily concentrated than ever before in corn and soybeans - its highest profit crops. The Plains and Pacific Northwest are more heavily concentrated on wheat and barley. Cotton has begun a major shift toward such highly-efficient growing areas as the Mississippi Delta and the Texas High Plains. The mid-South and Southeast are moving heavily into soybeans. All of these shifts will improve United States farmers' responses to their comparative advantages in the production of these crops and will enable them to compete more effectively for markets and dollars, both at home and abroad.

Since 1967, support rates have been held at $1.25 for wheat for domestic use, and $1.05 for corn. Because of general price inflation, the real level of price support for United States wheat is now only 36 per cent of its 1950 level, and corn supports are about 40 per cent of their level twenty years ago.

United States agriculture income continues to grow

Total gross farm income increased from $33.1 billion in 1950 to $38.4 billion in 1960 and to $56.6 billion in 1970. Estimates for 1971 indicate a gross of just over $58 billion. Realized gross income on a per farm basis has shown even more striking changes, increasing from $5,714 in 1950 to $9,614 in 1960 to $19,350 in 1970. During the same years, the number of United States farms dropped from 5.6 million to 2.1 million and then to 2.9 million.

A significant factor associated with gross income is the change that has been occurring in cash receipts. Receipts from livestock and products accounted for 57 per cent of total cash receipts in 1950. They were 55 per cent of cash receipts in 1960 and 60 per cent in 1970. The combined receipts from livestock, feed, and oil-bearing crops, which really reflect the livestock-feed sector, accounted for 67 per cent of cash receipts in 1950. They accounted for 68 per cent in 1960 and 76 per cent in 1970. Under current policy, they are expected to account for an even bigger share of total farm income as well as cash receipts.
Summary

In summary, current United States farm programmes for the principal sectors of agricultural production are aimed at helping farmers to compete more effectively for markets at home and abroad. The United States does not aim to encourage non-economic production, but does intend to make fuller use of our comparative advantages.

The policy also means the United States will put more stress on seeking markets and supplying customers at competitive prices. Unneeded acreages will continue to be taken out of production and continued shifts toward products for which consumer demand is growing will be encouraged.