Approved March 16, 1983
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK.

The meeting was called to order by Rep. Bill Fuller at
Chairperson

9:00 a.m./~~p.m.~~ on March 2, 1983 in room 423-S of the Capitol.

All members were present except:

Committee staff present:

Bruce Hurd, Revisor of Statutes' Office
Raney Gilliland, Legislative Research Department
Kathleen Moss, Committee secretary

Conferees appearing before the committee:

Darrell Ringer, American Agriculture Movement
Pat Lahman, Wichita, AFL-CIO Public Relations
Leroy Jones, Pratt, Accountant
Father John Stitz, Leavenworth, Catholic Rural Life
Doug Wildon, Hutchinson, farmer and real estate broker
Chris Walker, National Farmers Organization
Emil Mushrush, National Farmers Union
Larry Matlack, American Agriculture Movement

Chairman Fuller opened the meeting for the purpose of hearing HB 2415 - An act relating to the promotion and development of the general economic welfare and prosperity of the state of Kansas through the conservation of the agricultural wealth of the state; providing for the prevention of economic waste in the marketing of wheat, feed grains, oil seeds, milk, cotton and rice crops produced in the state of Kansas by establihsing a minimum price and orderly marketing rules therefor; providing for the administration and enforcement of this act; providing penalties for the violation of the provisions of this act; providing for a referendum and a producer's marketing board.

Staff briefly explained each section of the bill. Staff pointed out an error in the bill on Line 155: The word, "commissioner" should be "secretary."

Rep. Dean Shelor, primary sponsor of HB 2415 said there is no plan for agriculture and held up a paper that had been distributed earlier entitled the same. See Attachment No. 1. He said we are here every year because laws have flaws and we are back again. He felt this type of legislation could go through the Kansas Corporation Commission because they don't necessarily need to regulate only minerals.

Darrell Ringer, spokesman for the American Agriculture Movement testified in support of HB 2415. He would put parity at 90%. Low prices and outrageous interest rates are putting the farmer out of business. They are simply buying time. He feels parity price would help the economy. A profit on production will bring prosperity back to America and he asks support of HB 2415.

Pat Lahman with the AFL-CIO Public Relations in Wichita was recognized. She distributed a prepared statement supporting HB 2415. See Attachment No. 2.

Leroy Jones, partner in the CPA firm, Kennedy and Coe of Pratt said they have 13 offices, 12 of them located in small rural areas and they deal with people in agriculture. The economic conditions the past three and four years are on the same level as the 1930's. Operating costs are at an all time high. High interest and costs are eroding away the equity of the farmer. Bankers are starting to over react and he feels it is just hitting the tip of the iceberg. He supports HB 2415 as it is a step in the right direction.

Father John Stitz, Director of Catholic Rural Life distributed a prepared statement supporting HB 2415. It is Attachment No. 3.

Doug Wildon, Hutchinson was recognized. He distributed a statement in support of HB 2415. See Attachment No. 4.

Chris Walker, appeared for the National Farmers Organization supporting HB 2415. He felt we got into trouble because of low farm prices and large unemployment which slows down the flow of taxes. When farmers are getting paid fair prices, the unemployment goes down. He believes if there is support with other states, we would have prosperity again.

Emil Mushrush, National Farmers Union testified in support of HB 2415 because he supports the concept of states working together to improve agricultural economy. He feels help will not come out of Washington. We do need to do something on the state level. He feels the bill has merit and deserves committee support.

Larry Matlack of the American Agriculture Movement was recognized. He had previously distributed a folder of reproduced material, certain portions underscored for emphasis. The folder is available in the Legislative Research Department.

Chairman Fuller distributed a prepared statement from Lois Scheufler of Sterling, who was unable to testify in person. Her statement is in support of HB 2415 and is Attachment No. 5.

Chairman Fuller stated that the hearing for the proponents was closed.

The meeting was adjourned at 10:03 a.m.

Thd next meeting will be at 9:00 a.m. on Thursday, March 3, 1983 in Room 423-S.

GUEST REGISTER

DATE March 2, 1983

HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE AND LIVESTOCK

NAME	ORGANIZATION	ADDRESS
Albert & Emma North	A. A. M.	McCracken Ks
Reuben Ochs	A. A. M	Bison
Delma Ochs	A. A. M	Bison
LeRoy B. Jones	C.P.A.	Pratt
Jeff Jones	Student	"
Chris Jones	Student	"
Edwin Petrowsky	AAM FB	Pratt
Jack Stuart	FU NFO AAM	Jet City
Darrell T. Rogers	AAM	Quinter
Doug Wildin	Real Estate Broker, Farmer	Hutchinson
Alice Reber		
Deanna Seller		Miltonvale
Jay W. Christensen	Marion Government class	Marion High school 701 E Main Marion KS 66861
Kevin Robison		
Alf Vangreld		
Don Cress		Council Grove
Jean Bergner	A.A.M.	Pratt, Ks.
Jerry Matlack	AAM	Burrton Ks
Florence H. Bryant	Cosmopolitan	Scott City Ks
Lois M. Bryant	AAM	Scott City, Ks.
Nan Krauss	AAM	Gypsum Ks
Helmer Siemsen	AAM	Ellsworth Ks
August Krauss	AAM Farm Bureau	Gypsum Kan
Gerald Hartnett	AAM Wheat Growers.	Stafford Ks.

GUEST REGISTER

DATE March 2, 1983

HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE AND LIVESTOCK

NAME	ORGANIZATION	ADDRESS
Dwight Martinek	AAM Martinek Crop Ins	Rossville Ks
Darrel Bahner	AAM Martinek Crop Inc	Silver Lake, Ks
Chris Walker	Kans NFO	Mayetta Ks
Emiel T. Mushrush	Kansas Farmers Union	McPherson
Don Bergner	AAM & NORTH	Pratt, Ks
Hal Palenske	AAM = KFU	Strong City, Ks
Maurice Hunevergordt	Farmers Union - Wheat Growers	Otis, Kans
Wilmer Baxter	Farm Bureau	LaCrosse, Kans
Mary Harper	AAM	Healy, Ks
DANA COX	Wheat Grower	Sedgwick Ks
Sam Collins	AAM	Haven Ks
Bar Collins	AAM	Haven Ks.
Bob Braun	AAM	Haven Ks.
Kathy Braun	AAM	Haven Ks.
John Blythe	KFB	Manhattan
Bedey Crompton	CKFO	Topeka
Bill Ribble	KLA	Topeka

THERE IS NO PLAN FOR AGRICULTURE

By V.E. Rossiter, Sr.

The National Organization for Raw Materials, more popularly known as NORM, has, since its inception dealt with the need for economic equilibrium between the various sectors of the United States Economy. What we advocate is a fair sharing of National income in its distribution between the various divisions of labor, which will provide an equitable, reciprocal market for all of the goods and services produced; essentially all of which can be paid for with the cash (earned income and profits) received in an annual economic cycle. The 5% or 6% of National Income which goes to savings is all the credit that need be loaned back into the economy, to provide a 100% market.

Early research, acquired from a predecessor group known as the Raw Materials National Council, had developed a base of economic statistics (Exhibit 1) which provided evidence of a remarkable relationship between the income derived from the sale of raw materials, and total national income, from 1929 through 1948.

The significance of this discovery can not be over-emphasized. It is not the product of conventional economics. It was not invented by economists. It is economic history created by practical human beings operating in a free market which proved, whether raw material income was low, or high. National Income was 5 times the value of "all" raw material income annually, and 7 times the value of "only" farm raw material income.

Exhibit 1

Prepared by Carl H. Wilken, *Economic Analyst*
Raw Materials National Council
Sioux City, Iowa

Year	Gross Farm Income Billions	% Gross Farm Income of National	Mineral Production Billions	Combined or Total Raw Material Income Billions	National Income Billions	Percent of Raw Material Income to National
1929	$13.0	14.8	$5.8	$18.8	$87.3	21.4
1930	10.5	14.0	4.7	15.2	75.0	20.2
1931	7.6	13.9	3.1	10.7	58.8	18.2
1932	5.7	13.6	2.4	8.1	41.7	19.4
1933	6.4	16.2	2.5	8.9	39.6	22.4
1934	7.8	16.0	3.3	11.1	48.6	22.8
1935	9.0	15.8	3.6	12.6	56.8	22.1
1936	10.0	14.9	4.5	14.5	66.9	21.6
1937	10.6	14.4	5.4	16.0	73.6	21.7
1938	9.4	13.9	4.3	13.7	67.3	20.3
1939	9.9	13.6	4.9	14.8	72.5	20.4
1940	10.3	12.7	5.6	15.9	81.3	19.5
1941	13.1	12.6	6.8	19.9	103.8	19.1
1942	17.7	13.0	7.5	25.2	136.4	18.5
1943	23.0	13.6	8.0	31.0	168.2	18.5
1944	23.6	12.9	8.5	32.1	182.2	17.6
1945	24.0	13.1	8.9	32.9	182.8	18.0
1946	27.1	15.2	9.1	36.2	178.3	20.3
1947	33.0	16.2	12.4	45.4	202.5	22.4
1948*	32.4	14.4	15.6	48.0	225.0	21.3

* Estimated for 1948.

Note: Gross farm income is total farm production sold, plus farm products used on the farm. Total average percentage of gross farm income to national income 14.3% or approximately $1 of gross farm production to $7 of national income.

Average percentage of total farm and mineral production 20.2 or approximately $1 of raw material income, farm and mine, for each $5 of national income. Percentage of parity for raw materials determines the per cent of prosperity and each 1% of parity for raw materials represents approximately $2 Billion of national income. Society cannot afford to permit raw material prices to go below parity and employment and national income will ratio directly to raw material income in ratios set out above.

Atch. 1

Another study (Exhibit 2) proved that farm raw material production (which is renewable annually) is approximately 70% of all raw material production in the United States. The other 30% are minerals of various kinds, which are exhaustable over time. Thus farm raw material income is destined to become increasingly important as it becomes a larger share of total raw material production in the long term.

A third study (Exhibit 3) developed the evidence that there is a long term relationship between cash receipts from farm marketings and the payrolls of production workers.

Thus you see exactly why the Raw Materials National Council came to the conclusion that $1.00 of Raw Material Income will result in the creation of $1.00 of factory wages and $5.00 of National Income.

This is known as the raw materials multiplier effect on National Income. It is the basic ingredient, not the only ingredient, but the basic ingredient in maintaining economic equilibrium. Raw material prices should never be permitted to drop below a level of 100% of parity with the average price level of all other goods and services. As the basic and initial monetary factor, it will maintain factory wages at a predetermined level, and in the process create the income (cash + savings) which will assure 100% consumption, which is essential to a viable self-liquidating market process.

A prime example of the consistency with which the economy of the United States has functioned, historically, is the relationship between national income in any given year (Exhibit 4) and the amount of money consumers had to spend on goods essential to life, such as food, shoes, clothing, beverages and tobacco, at almost exactly 70% of consumer expenditures every year, from 1929 to 1955.

So, you say, why not continue on with these same statistical data from 1953 through 1982? Won't it prove, you ask, the findings of the Raw Material National Council conclusively?

Unfortunately, the answer is no, it doesn't.

Like our predecessor organization, NORM has always had a problem presenting what we considered a rather conclusive array of factual evidence on how the economy functions. We have concluded that it is the utter simplicity of the proof of our findings, prior to 1953, that was an affront to the "value free" approach of establishment economists, who have a notion that there is an "invisible hand" directing our economy through the discipline of the so-called "law of supply and demand" in a mysterious "natural order" of things. Needless to say, non-economists are not permitted to move freely in this mystical arena, but fortunately they do and our work is evidence of this fact.

Exhibit 2

VALUE OF MINERAL PRODUCTION IN THE UNITED STATES, 1929 – 1953

(Millions of Dollars)

		Nonmetallic				
Year	*Metallic*	*Fuels*	*Others*	*Total*	*Grand Total*	*Realized Gross Farm Income* 1/
1929	1,480	3,190	1,217	4,407	5,898	13,832
1930	986	2,765	1,015	3,779	4,765	11,420
1931	570	1,892	704	2,597	3,167	8,378
1932	286	1,743	432	2,176	2,462	6,400
1933	417	1,683	455	2,138	2,555	7,050
1934	549	2,233	543	2,776	3,325	8,465
1935	733	2,330	587	2,917	3,650	9,585
1936	1,082	2,759	716	3,475	4,557	10,627
1937	1,468	3,201	745	3,945	5,413	11,185
1938	893	2,820	650	3,471	4,363	10,037
1939	1,292	2,834	788	3,623	4,914	10,426
1940	1,679	3,117	819	3,935	5,614	10,920
1941	2,132	3,708	1,038	4,746	6,878	13,707
1942	2,364	4,103	1,109	5,212	7,576	18,592
1943	2,488	4,608	976	5,584	8,072	22,870
1944	2,340	5,178	899	6,077	8,417	24,113
1945	1,975	5,212	954	6,166	8,141	25,323
1946	1,825	5,760	1,311	7,071	8,896	28,967
1947	2,909	7,941	1,634	9,575	12,484	34,002
1948	3,510	10,362	1,894	12,256	15,766	34,520
1949	3,050	8,723	1,875	10,598	13,648	31,763
1950	3,701	9,506	2,205	11,711	15,412	32,066
1951	4,380	10,695	2,505	13,200	17,880	36,944
1952	4,214	10,449	2,600	13,049	17,263	36,842
1953	4,683	10,992	2,975	13,967	18,650	35,430

1/ Not adjusted for inventory changes; beginning with 1933, included Government payments.

Source of Data — U. S. Bureau of Mines for mineral production.

The Raw Materials National Council, based on the foregoing exhibits and numerous other studies, also realized that if it were true, as the evidence indicated, that $1.00 of Raw Materials income generated $1.00 of factor wages, and $5.00 of National Income, then the opposite of that equation would also be true. That is to say, for every dollar that is lost to the economy due to underpricing of raw materials in the market place, would have a reverse multiplier effect which will deny the creation of $1.00 of factor wages and $5.00 of national income for every raw material dollar lost by underpricing raw materials, in an annual economic cycle.

The evidence of this loss would be reflected in reduced employment, idle plant capacity, and an excess of consumers good for which there is no buyer. All of these are rather familiar symptoms of economic down turn that have prevailed in all of 1982 and so far in 1983, in the United States.

The degree of loss, which was not picked up by the injection of excessive debt, would be determined by the prevailing raw material price level, which is now at an all time low of approximately

Exhibit 3

FARMERS' CASH RECEIPTS AND INCOME OF INDUSTRIAL WORKERS

Year	Cash Receipts Farm Marketings** (Millions)	Production Worker Payrolls* (Millions)
1921	$ 8,116	$ 7,151
1922	8,584	8,018
1923	9,549	10,148
1924	10,202	9,484
1925	11,021	9,979
1926	10,550	10,296
1927	10,732	10,099
1928	10,988	10,233
1929	11,299	10,920
1930	9,050	8,936
1931	6,369	6,864
1932	4,735	4,680
1933	5,308	4,972
1934	6,314	6,240
1935	7,074	7,488
1936	8,356	8,424
1937	8,819	10,296
1938	7,703	7,800
1939	7,819	9,360
1940	8,332	10,608
1941	11,075	15,288
1942	15,486	22,464
1943	19,358	30,888
1944	20,377	32,136
1945	21,383	27,456
1946	24,564	25,272
1947	29,706	30,576
1948	30,207	32,760
1949	27,944	30,264
1950	28,328	34,944
1951	32,799	40,560
1952	32,373	42,120
1953	30,975	45,864

* Annual payroll computed by using payrolls for 1941-1951 as given by United States Department of Commerce in Statistical Abstract 1953 as 100 and adjusting with Bureau of Labor production payroll index 1947-1949 = 100. Average industrial payroll 1947-1949 $31,200,000,000.

** Cash receipts for marketing of farm products. Bureau of Agricultural Economics.

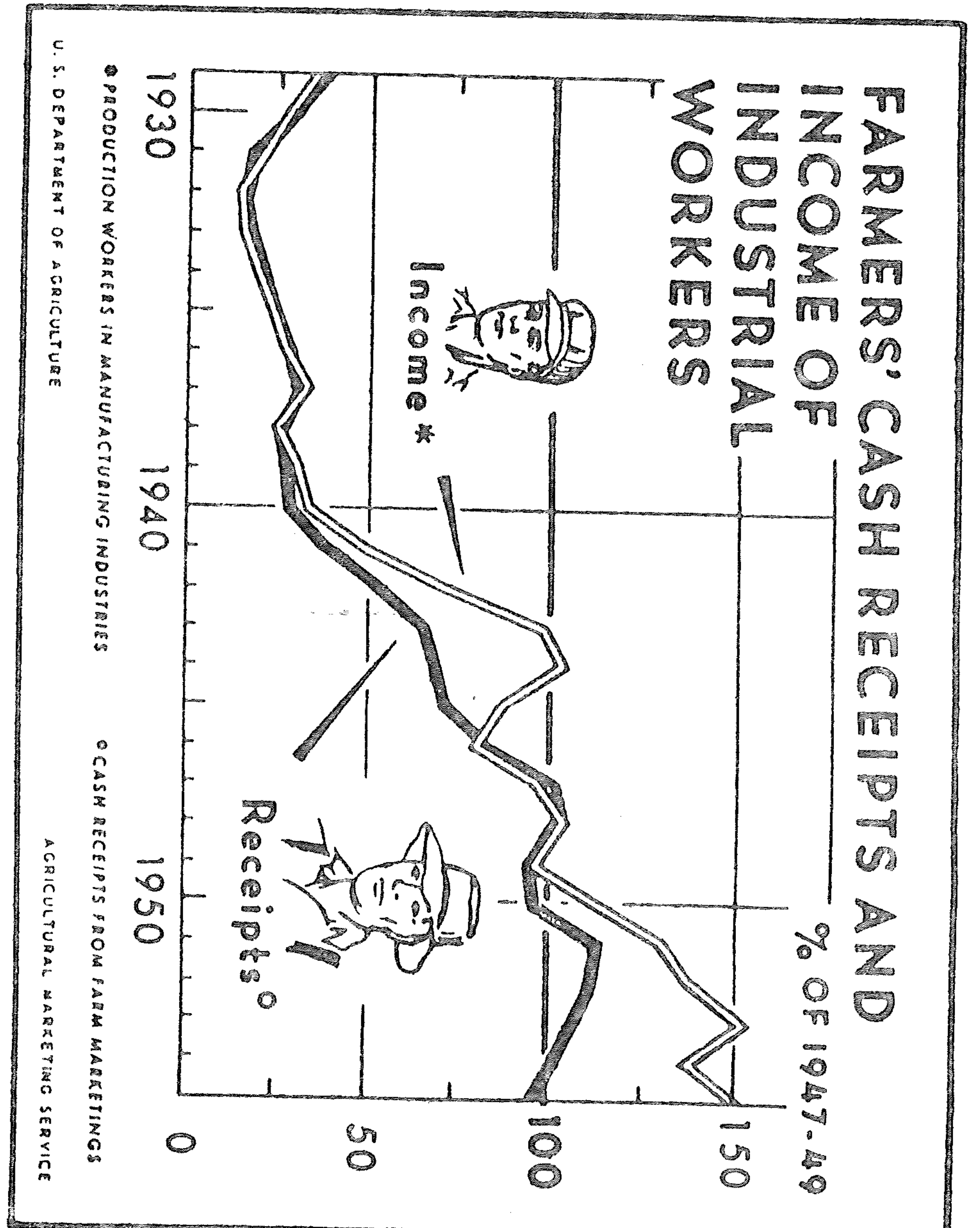

Exhibit 4

COMPARISON OF CONSUMER EXPENDITURES FOR FOOD, CLOTHING, BEVERAGES AND TOBACCO TO TOTAL CONSUMER GOODS EXPENDITURES

(Billions of Dollars)

Year	I Consumer Goods Expenditures	II Food, Beverage, Tobacco	III Clothing	IV Columns II & III	V Percentage of Column IV to Column I
1929	46.9	21.2	11.2	33.4	70
1930	41.2	19.4	9.7	29.1	70
1931	34.4	16.2	8.2	24.4	71
1932	26.4	12.7	6.0	18.7	71
1933	25.7	12.8	5.4	18.1	70
1934	30.9	15.5	6.6	22.1	71
1935	34.4	17.6	7.0	24.6	71
1936	39.1	20.0	7.7	27.6	70
1937	42.1	21.6	8.1	29.6	70
1938	39.7	20.6	8.0	28.7	72
1939	41.8	20.9	8.4	29.3	70
1940	45.0	22.2	8.9	31.1	70
1941	52.9	25.7	10.5	36.3	69
1942	58.3	31.2	13.1	44.2	76
1943	65.8	36.4	16.0	52.4	80
1944	72.1	40.1	17.5	57.6	80
1945	81.2	44.6	19.7	64.3	80
1946	100.4	52.3	22.2	74.5	74
1947	113.7	58.0	23.0	81.0	72
1948	120.9	61.4	23.9	85.3	71
1949	120.4	60.7	22.7	83.4	70
1950	129.0	63.2	22.7	85.9	67.3
1951	138.2	71.2	24.2	95.5	70.0
1952	142.8	75.1	24.8	99.9	70.0
1953	148.7	77.2	24.6	101.7	68.4
1954	150.2	78.4	24.5	102.9	68.6
1955	161.8	81.4	25.6	107.0	66.1

Source of Data — U. S. Dept. of Commerce.

50% of parity today. If the flow of excess credit is diminished, or it is exhausted, then the parity ratio will be absolute as a market determinant for the production and sale of goods and services. Credit has been diminished in recent months, and the loss of earned income is becoming more apparent.

The apparent ability of the debt dollar to perform in the same 1-1-5 multiplier manner as a dollar of raw material income, when the economy is in 'near' equilibrium, prompted a long period of irrational economic planning to greatly influence the U.S. economy earlier in this century.

There was a very influential school of economic thought which reasoned that "debt" then is the answer to economic equilibrium and prosperity, in the Nation. They declared that the multiplier of $1.00 of debt flowing through the economy can create enough velocity in the money supply to bring into being "permanent savings." Needless to say, if this is the case, the economy of the United States (and the world) should be rolling in prosperity right now with nearly $6 trillion of public and private debt outstanding in this country alone -- but this is not the case.

The economy of the United States (and the world) is walking a tight rope between inflation and depression because of this excessive public and private debt that was supposed to make the nation (and the world) prosperous. All it did was to provide a temporary respite from the depression that would have occured much earlier from steadily increasing losses of earned income and profits over the last 30 years. Now that there is no longer enough readily available credit to continue this 'bandaid' debt injection, and no alternative solution, the economy flounders on the verge of chaos.

At this point one would expect a return to economic sanity and recognition of the historic economic and social facts of life that prevailed prior to 1953. At the same time, the constantly growing economic distortion in the sharing of national income, which has prevailed since 1953, has completed ruled out the relatively simple comparisons illustrated in Exhibits 1 through 4. The inability to use similar comparisons with a degree of confirmation of the previous findings has been used to discredit the earlier findings of the Raw Materials National Council. Growing distortions of income share, coupled with resulting inflation of income totals because of a devalued dollar, prompted NORM to attempt to trace the negative multiplier impact due to underpayment for raw materials since 1953. It seemed to be a logical alternative, if the public is unwilling to believe the seemingly irrefutable evidence of the period prior to 1953, as clear as it is, then another approach became imperative.

In order to do this, it was necessary to wait for 30 years. Not all of us can be sure that we have that long to wait for answers to perplexing problems. Many didn't make it and those that did aren't necessarily the ones who would do the best job of further analysis. However, the methods of analysis have not changed and the statistical material has improved and become more plentiful over time. As was the case prior to 1953, the information is clear and persuasive.

The 'reverse multiplier' was put into place by the abandonment of the Steagall Amendment in 1953. It was decided as a matter of government policy, "to let the farmers live off their fat for a while." The farm act of 1953 instituted flexible parity, with a prescribed range of 60% to 90% price supports. It came at the outset of the administration of President Eisenhower, and Secretary of Agriculture Ezra Taft Benson.

Despite the fact that the Steagall Amendment, which provided 90% farm price supports from 1943 through 1952, had the effect of providing agriculture with an average of 100% of parity prices for 10 years through the economic stress of World War II and the economic trauma of reconversion to a peace-time economy after 1946, it was abandoned in 1953. This set the stage for 30 years of a declining FARM INCOME SHARE of national income. It also set the stage for heavy injections of excessive debt, historic distortions of National Income share, unprecedented Federal budget deficits, record financial illiquidity, and a higher debt structure than has ever existed -- in all human history -- in just 30 years.

Rather providentially for the United States and fortunately for NORM and its further research, the Steagall Amendment assured economic equilibrium for 10 years, during World War II, and the post-war period up to 1953. This period provides a sound and relatively modern base from which test the validity of the "reverse multiplier affect" of the negative 1-1-5 trade turn of raw material income.

The distortions, in the share of national income earned by each of the 6 designated sectors of National Income, began to appear in 1952 because of the widespread anticipation of the Farm Act of 1953, which eliminated the fixed 90% of parity price support provision of the Steagall Amendment.

The Raw Materials National Council had anticipated that this would happen, and predicted that when it did it would set the stage for economic chaos and ultimate depression. Ironically, a study copyrighted in 1949 had a specific reference to social security payments. It stated, "There can be no social security without price stability. Provisions for government doles become a myth as falling prices destroy the income of the nation and preclude taxation to pay bills." Social Security plans to borrow $13 billion to meet its payments for the next 6 months, according to recent news reports. Now, 34 years later, it becomes obvious.

The adverse affect of sub-parity farm prices became evident as early as 1960. Analysts began to discern that commercial bank loans were expanding at a rate of 2 percentage points more rapidly, than the growth in bank deposits. When this was projected forward it appeared that the commercial banking system would be as fully loaned and invested, by as early as 1973, as it was on June 30th, 1929, just 4 months before the beginning of the depression of the 1930s. (And it did exceed 100% on December 31, 1973.) At the time this was a very disconcerting bit of information to the bankers who were old enough to have a recollection of the depression of the 1930s. It was also bad news for those familiar with raw material economics and the negative trade turn attributed to the debt dollar. It was a valid and strong indication that the long run trend of the economy had turned down.

After sitting on the information for two years, in March of 1962 a group of bankers representing a major national banking organization, which I chaired, along with representatives of the Raw Materials National Council, decided to take the issue to Washington, D.C.

Our primary concern centered around the rapidly declining share of National Income that was being earned by the agricultural economy, after 1952. The effects on the rural farm and business economy were adverse, and growing. The decline in the ratio of loans and investments in relation to bank deposits affected not just rural banks, but it was evident in all of the banks in the United States.

To help illustrate our own perception of the real life tragedy on the farm, following the abandonment of 90% of parity price supports, let me tell you about a customer of mine by the name of George.

I first met George in 1936. He was barely surviving the depression of the 1930s. He had lost his farm to the loan company, but he had managed to rent another one. Early in the 1940s he bought 400 acres of land for $22,000.00 with a down payment of $1,000.00, which he borrowed against his personal property. By 1950 George had accumulated 100 stock cows, and raised some 80 odd head of younger cattle. In addition he had a 30 brood sow hog operation.

Winter came early in 1950 and the corn crop didn't mature. It had to be picked as needed during the winter months and fed to livestock on the farm. It had limited market value. The price of cows increased substantially, up to $300 per head, because farmers wanted them to feed the soft corn to, and to glean the partially picked corn fields, in some cases.

In addition to the $20,000.00 of real estate debt, George owed another $10,000.00 which was secured by his livestock and machinery -- a total of $30,000.00.

When George came into the bank to rework his bank loan in the fall of 1950, he looked good. It was evident that George could sell his 100 stock cows for $300 each, for a total of $30,000.00 and have enough money to repay all of his debts. He could be completely out of debt, probably for the first time in 40 years. We suggested that he might do this and still have enough seed stock to keep him in business. His response was, "If those cows are worth $300 apiece to someone else, then they are worth $300 apiece to me." We didn't argue the point, because he was probably right. But, as future events would prove, it was an opportunity of a lifetime for George to get out of debt.

George had a large family, 7 boys and 2 girls. This probably had something to do with his decision to keep his 100 stock cow herd. He needed the income, and he had ample help to run his operation. But, between 1950 and 1958, four of George's boys fell victim to crippling spinal meningitis. The years 1955 and 1956 were drought years. In 1956 George's tractor got out of control and pinned him against the corn crib and broke his hip. By 1957 George was back on his feet again, though a bit crippled. His boys were up and around and the polio foundation had picked up most of the medical bills for the spinal meningitis. The two-year drought forced a lot of livestock onto the market and cattle and hog prices were very low in 1957 and 1958.

In the fall of 1957, when we were reworking George's bank loan, it was all too apparent that his net worth had slipped badly, since 1950. We knew he was considering retirement at age 65 some time in 1958. He hadn't made any money in the prior 3 years and it was evident that if he didn't have a sale in 1957 that he would have little or no base on which to establish his social security entitlement. We suggested this to him but he decided not to have a sale in 1957. During January of 1958, he booked a sale for February 14th. The sale was held, but market prices were low, and machinery sold poorly. A week after the sale when we settled with George, we were both shocked to discover that after paying the bank in full, paying his personal taxes, the clerk and auctioneers fees, and the advertising bill, he was just 10 cents short of having enough money to do it all. The $300 cows that he could have sold in 1950, when farm prices were being supported at 90% of parity, sold for $80.00 ahead in February of 1958. A few months later when he applied for social security he discovered that he qualified for the minimum payment of $35.00 per month. For some reason that I will never understand he blamed me and the bank for the deplorable circumstances that he found himself in, which was really due primarily to poor farm prices.

The point I want to make is, that when this group of bankers approached Washington D.C. in the spring of 1962, about the plight of the American farmer and its implication for the solvency of the banking system, we were all very conscious of the fact that there were thousands of similar cases all over rural America. George was a microcosm of the United States farm economy at that time. It was from this atmosphere that the National Farmers Organization emerged in the late 1950s.

The complete story of the three days of intensive interviews in Washington D.C. by the bankers and the Raw Materials National Council is too lengthy to tell in detail. However one interview is worth repeating because of its significance.

It was with Dr. Okun, then the newest appointee to the Council of Economic Advisors to the President of the United States. It was in his office that we were rudely awakened to reality with a definitive response to the question uppermost in our minds. Our question was, "What is the Council of Economic Advisors to the President planning for the agricultural economy of the United States, in the near and more distant future?"

Dr. Okun was very open with us and readily admitted that his expertise was in other areas of economics. He said, "Frankly, I don't know much about agriculture, but let me call Dr. Bonnen who is a specialist in this field."

Dr. Bonnen arrived a few minutes later and the discussion continues. We repeated our concerns for the future of agriculture and the latent effect it could have on the entire economy, if nothing was done about farm prices. He responded with some of the same economic gibberish that we had heard, without exception, every place we had been.

Finally Dr. Okun interrupted the exchange between the committee members and Dr. Bonnen. He said, "Dr. Bonnen, it is getting close to lunch time. These people came to us with a specific question, and I believe that we owe them a specific answer. They are asking what the Council of Economic Advisors are planning for the agricultural economy in the near and more distant future. After what I've heard this morning, I too would like to know the answer to their question. What is our plan for agriculture?"

Dr. Bonnen paused for a moment and then with a gesture of upturned empty hands, he said, "I'm sorry Dr. Okun, the Council of Economic Advisors has no plan for agriculture."

The realization that Dr. Okun admittedly knew little about agriculture, and that Dr. Bonnen, his specialist, admitted that "there is no plan for agriculture," at the level of the Council of Economic Advisors to the President, was very distressing to the Committee.

The Washington attitude toward agriculture was both puzzling and frustrating to the committee. It can only be described as conviction that there were no problems in agriculture that would not correct themselves, in the long run, and that the agricultural economy had a debt to society that was still unpaid. Our admonitions against further neglect of this sector of the economy because of certain injury to other sectors of the economy, were of no concern to those we spoke to. They did not believe what we said. We were ignored 20 years ago, just as we were ignored by some of these same agencies 3 years ago. However, the evidence is growing and we hope that soon there is a recognition in Washington that our present economic stagnation was indeed "farm led" by the faulty farm policy decisions made in the early 1950s.

We titled our presentation, "There is no plan for agriculture" because of the statement made by Dr. Bonnen in 1962. However, our more recent perception of the events of the last 20 years has almost convinced us that there is a plan after all. It might be better described as a "non-plan" rather than a plan. Or even better yet, it might be described as an "ono" plan; oh no you can't do this for agriculture and oh no you can't do that for agriculture. The way it has worked out for the last half century, except for the 1943-52 period when we had mandatory 90% price supports, we have always had the same "cheap food" policy that prevails today. Mr. Wills tells us that the only responsibility that any Secretary of Agriculture of the United States has ever had, is to "maintain the status quo." Or, if things get out of hand as they did for a moment in 1973 because of the Russian grain purchases, then "return to the status quo" would be the order of the day. And I'm sure that you will acknowledge that our government is really great at that.

The "non-plan" for agriculture might be briefly outlined as follows:

- Permit the agricultural economy to drift with the economic tide, as much as possible;
- Let it experience as much "natural" erosion of assets and resources as possible short of creating a food shortage or higher prices;
- Permit, and possibly encourage, large non-farm corporations such as the largest insurance companies in the nation to acquire farm land and other assets, in order to assure production if the family farm system collapses;
- Insist on futher contributions by agriculture to the industrial manpower pool;
- Extract capital resources from agriculture to be invested in manufacturing industry;
- Require agriculture, as its responsibility to society, to provide a good market for manufactured goods;
- And demand of agriculture that all of these things "be done without an increase in total resources used and/or in the relative price of farm products." (1)

If you are appalled by that litany of the provisions of the agricultural non-plan policy of the United States, join the crowd. When I reviewed what I just recited to you, I was reminded of a news item that I read in the Kansas City Times just 6 weeks ago in regard to Russia. It said, "Russians can buy the same 2 pound 2 ounce loaf of bread today, for the same price that it cost 27 years ago, 10 cents U.S. equivalent."

That is exactly what American farm policy is trying to achieve when it asks the agricultural economy to function as an integral part of the United States economy, but that it "be done without an increase in total resources used and/or the relative price of farm products."

When the Congress of the United States "deregulated" farm prices with the destruction of the Steagall Amendment mandated 90% of parity price supports, it denied agriculture an increase in "the relative price of farm products" at par with the average cost of other goods and services produced in the United States.

This act of Congress virtually forced American agriculture into the Russian mold of "perpetually cheap farm raw materials." But, the price of bread in the U.S. didn't remain as cheap as it was 30 years ago. Only the wheat that goes into bread stayed cheap.

The same newspaper article mentioned that the Russian industrial workers is earning twice as much money as he did 27 years ago, but his bread is still only 10 cents per 2 pound 2 ounce loaf.

I don't mean to extoll the virtues of the Soviet economic system, but this tells me something important, I believe. We can't preserve the American private enterprise economy for all of the other sectors and exclude agriculture. We can't sovietize agriculture with low "deregulated" prices on farm production, and at the same time preserve democracy and personal freedom in the other sectors of the American economy. It just doesn't work that way and that is exactly what we have proven, once again, in the last 30 years in the United States.

Establishment economics has been permitted to run amuck in the United States in the past 30 years, and in my opinion, it has mis-used and abused the American family farm enterprise. It goes back much father than that, of course, to the early 19th century when David Ricardo conceived the so-called "law of supply and demand." Because, by its nature, agriculture must produce 12 months in advance of the requirements of society and it has been the victim of "supply and demand" if every nation where the government either ignores or neglects its responsibility to protect farm prices.

I was pleased when in April of last year, Dr. John L. King, himself an economist, a graduate of Wharton's School of Economics, and also an instructor there, verified my opinion of economists or at least substantiated it to a large degree. Dr. King wrote, "Economics ignores you. It comes down to this: The establishment economics that is taught in the universities, proliferated in journals, regurgitated by councils of government, with all of its mountains of published out-put, has not advanced our capacity to control our economy beyond the late 1930s." Need more be said. Just look at the daily newspaper, or the current issue of a weekly business magazine. Nothing in our economy is performing satisfactorily.

You may be interested to know that it is a distressing and a demeaning experience to be a banker now-a-day in rural America. It is possible to make a loan to a credit worthy farmer borrower, knowing that the economy surrounding the borr falls short of assuring him of the ability to repay that loan promptly when due. If the borrower defaults, the banker might accuse him of poor management, and the borrower might, in turn, accuse the banker of bad judgement for loaning him the money in the first place, when he knew that farm prices are rotten, and farm net income is historically low.

But, if neither of them know that farm prices are rotten, and farm net income is historically low, who is to blame? Most of the defaults on farm loans in the recent past, and today, are due to rotten farm prices. The blame lies with those who have the power to influence farm prices.

What began as a minor $6.4 billion correctable dislocation of National Income in 1952, $4 billion of which was deducted from farm income, the loss to agriculture has escalated into a single year loss of $148.7 billion of realized net farm income, by the end of 1982, and a very large $491.1 billion distortion in the National Income Share -- now beyond any correction known to man. It hasn't changed one iota with the adoption of the new "supply side" economics of the new administration. It won't change until parity is restored to an average of 100% on all raw materials.

The cumulative effect of the total $3.5 trillion of dislocated income in all sectors of the economy has resulted in the creation of a total public and private debt of more than $6 trillion, for which there is no corresponding provision or ability to repay.

Of this total of $3.5 trillion maldistribution, agriculture's share is $1,344,600,000,000.00, or an estimated average of $448,200.00 of NET INCOME per farm.

Is it any wonder why people who are put upon by such massive stupidity, some times consider resorting to violence to make their point with society.

Fortunately, or unfortunately, I don't rightly know which, there is very little comprehension of what we have done to American Agriculture in the past 30 years as a matter of deliberate government and public policy.

And, there may be even less comprehension, if that is possible, of the irreparable damage that this misguided farm policy has inflicted on every other sector of the United States Economy.

Name any single economic problem in the United States today, and there are thousands of them, and it can be traced back to the Farm Act of 1953, when we "sovietized" the American Agricultural economy, in the name of economic freedom. What a tragic blunder this has turned out to be.

Earlier we stated that when the economy was in near balance, $1.00 of excessive debt would generate $1.00 of factory wages, and $5.00 of National Income. However, that is no longer true. The severe distortion of national income share that has taken place since 1952, and the injection of $6 trillion of debt has virtually eliminated any hope of restoring the economy again with more debt injection. Today it will take $11.00 of debt to create $1.00 of National Income. The effort to stimulate the economy with new injections of debt may still be made, but it will result in rapidly rising interest rates, and total monetary collapse, in a very short period of time.

Those who wait for that final inflationary spiral, to get out of debt, will more than likely miss the opportunity because it will happen so fast.

Debt is no longer even a temporary alternative to earned income and profits generated by an economy in historic equilibrium. It never was, of course, but it has taken 30 years and one of the most appalling examples of fiscal and monetary mismanagement in human history, to prove to a new generation of experts in the United States, what the French nation learned so painfully almost exactly 200 years ago.

What we must recognize is that economic equilibrium occurred in the United States from 1943 to 1952. It was brought about by a combination of circumstances which were carefully coordinated by government mandate, and World War II. The affect was (1) an average of 100% of parity farm prices for the entire 10 year period, (2) relative stability in prices and wages, (3) a steady flow of earned income which was adequate to purchase all of the goods and services available, for cash, (4) it provided sufficient savings with which to purchase enough government bonds to cover the cost of the war, (5) it paid for the costs of the post-war reconversion and balanced the federal budget in 1947, 1948, 1949 and 1951, a phenomenon which has occurred only 4 additional years since 1952, (6) it maintained a sound dollar of consistent purchasing power throughout the period, (7) it sustained a solvent banking system and provided cheap interest rates, (8) it maintained approximate full employment with an average national income of $213.8 billion per year. Why all of this remarkable economic performance? It is because the economy of the United States was in equilibrium. It was in balance, and all sectors shared equitably, at approximately the same share of National Income percentagewise, every year. The little imbalances that occurred from year to year, were modest and self correcting. It is a matter of distribution; dollar totals mean nothing, if their is mal-distribution.

During the 10-year period of 1943-52 with an annual average National Income of $213.9 unemployment reached its highest level in 1949, a total of 3,367,000 workers. Today, in 1983 with a national income of an estimated $2.5 trillion, nearly 12 times more money than during 1943-52 on an annual basis, our unemployment is nearly 3 times greater. repeat, it isn't the number or dollars, but the precision of their distribution, that is important. And the key to their distribution is dependent on economic equilibrium, and economic equilibrium is dependent (1) upon that amount of increase in raw material production needed annually to provide the needs and the wants of the modest increase in population, and vital to this factor is (2) the absolute necessity to price this raw material at a floor of 90% of parity in order to provide the cash to assure its consumption, without the injection of "excessive" debt. You may ask why only 90% of parity, when 100% is a desirable end result.

We know that during 1943-52 the 90% of parity price floor resulted in an average return of 100% for the 10 year period. The reason for providing a 90% floor is to discipline the producer and to give the market place an important degree of control.

The experience in 1943-52 was that prices seldom reached the support floor of 90%. Traders knew that prices could not go below 90% of parity, and generally came into the market at something about 90%. The producer, on the other hand, tended to curtail production of commodities selling at less than 100% of parity and switch to those commodities for which there was more demand which were also selling at 100% of parity or above. Thus when products got into short supply and prices rose, farmers switched from lower priced products with less demand. This would cause the higher priced commodity to decline in price as production increased, and the cheaper commodities to rise in price as production decreased. This is the classic example of "market discipline" as it is applied by the "law of supply and demand." However, it is controlled supply and demand that prevented wide swings of prices below 90% of parity, and could likewise prevent surges above 110% of parity. The value of this plan is that it limited disequilibrium to relatively modest changes in National Income share, in an annual cycle, which is self correcting from year to year and in the long run.

Congressman Cooley from North Carolina, then the Chairman of the House Committee on Agriculture in the United States Congress, made the following statement about the 1943-52 period of economic equilibrium, in a speech made on April 10th, 1964. I quote the Congressman:

"This old farm program worked, when the great majority of farmers wanted it to work and were willing to cooperate.

For 11 consecutive years prior to 1953 the average prices paid to farmers were at or above 100 percent of parity with the rest of the economy. There was prosperity on the farms - and along Main Street.

Rural America - the countryside and

Main Street - looked secure then and for all the years ahead.

The Government, with broad cooperation of farmers, supported the prices of the major storable crops for 20 years at an actual profit of $13 million. The Government made this profit by selling commodities - wheat, corn, cotton, tobacco, rice and peanuts - taken over in price-supporting operations.

Those who now deprecate the role of the farm program in this great era of farm prosperity emphasize that this period embraced war and postwar years, when the demands for the products of our farms were high, but they ignore the fact the markets, at home and abroad, for farm commodities have been greater in the last 10 years than during any other period of our history, and they forget that the farm economy collapsed after World War I, and this did not occur following World War II when the farm program was working.

For 11 years - 1942 through 1952 - farmers had bargaining power in the market place. Supply and demand were in reasonable balance and farmers enjoyed price insurance through the farm program.

But there was a turnabout - a flop-over - on farm policy in Washington 11 years ago. The change came with the advent of the Eisenhower Administration, when Mr. Ezra Taft Benson became the Secretary of Agriculture. Production adjustment was deemphasized and price supports were lowered. This occurred at the very time the broad strides of efficiency and explosions of production were creating greater threats of market gluts and depressed prices.

The new philosophy - lessening restraints on wasteful production and lowering price supports - prevailed to a marked degree.

Prices came down. Great surpluses accumulated. Makeshift programs for the individual crops, for the most part, now hold farm income up to some degree, but at great costs.

In the 10 years - 1953-1962 inclusive - while all other segments of the economy have been booming, the net income of agriculture has been $25 billion less than in the previous 10 years, 1943 through 1952. Meanwhile, the Department of Agriculture spent for all purposes in those 10 years $35 billion more than in the previous 10 years. The costs from 1953 through 1962 were almost $20 billion more than all expenditures of the Department in the previous 90 years of its history.

Many farmers have turned against their own program - the program that prevailed during the years of our greatest era of farm prosperity. Why, and for what reason, I shall never understand.

Farmers have lost bargaining power in the market places, and 100 percent of parity for agriculture - generally approved and accepted by the public a decade ago - is hardly any more a dream.

This is where we stand today."

After reading Congressman Cooley's explanantion of what happened to farm policy and the cost of implementing that policy after 1953, I'm sure you can understand what happened to my friend George, who had a sale in 1958. What happened to George wasn't his fault, nor was it my fault; it was the fault of a "cheap food" farm policy mandated by Congress.

Let me walk you through some statistical material which substantiates, I believe, that a loss of raw material income has a negative effect on the entire economy.

I begin with the assumption that National Income from 1943-52 was in equilibrium; that every sector received an equitable share of National Income. The historic record of that period is fixed. So I take this as my base for further calculations.

During this period of equilibrium (Exhibit 5) the economy fell into a pattern which provided each sector with a measured share of national income, on the average. This distribution varied a little from year to year, but the losers one year would be the gainers the next, and equilibrium was maintained. I have already recounted all of the benefits that the economy derived from this equilibrium.

The market was aware of the drive to destroy the price supporting benefits of the Steaggle Amendment following World War II, and farm prices began to weaken in 1949. By 1952, even before the Farm Act of 1953 introduced the Sliding scale 60% to 90% price support program, (Exhibit 6) Realized Net Farm Income had declined $4 billion from the percentage received from 1943-52. Unincorporated business and professional income, closely related to farm income, also declined $2.1 billion. However, both the farmer and the small businessman could easily borrow enough money to maintain their purchases in the market at that time, so corporate profits declined only $300 million, but this would change as credit became more stringent and interest rates increased. The apparent winners are the Wages and Salaries sectors which has the most resistance to change because of minimum wage laws, escalator clauses, union contracts and etc., and Interest income of individuals

Exhibit 5

THEN
"EQUILIBRIUM"
(Billions of Dollars and Percentage Ratios)
NATIONAL INCOME
U.S.A.

	1943-52 Average	Percentage share of total
Compensation of Employees	$141.5 bil.	66.18%
Realized Net Farm Income	$ 14.2 bil.	6.63%
Income of Unincorporated businesses and Professional	$ 22.5 bil.	10.51%
Rental Income of Persons	$ 6.0 bil.	2.79%
Total Corporate Profits before taxes	$ 27.0 bil.	12.63%
Net Interest Income of Individuals	$ 2.7 bil.	1.26%
Total National Income	$213.9 bil.	100.00%

Exhibit 6

NOW
(Billions of Dollars and Percentage Ratios)
NATIONAL INCOME
U.S.A.

	1982*	Percentage share of total
Compensation of Employees	$1,874.7 bil.	76.4%
Realized Nat Farm Income	$ 19.2 bil.	0.78%
Income of Unincorporated Businesses & Professionals	$ 99.1 bil.	4.0%
Rental Income of Persons	$ 33.9 bil.	1.4%
Total Corporate Profits before taxes	$ 156.9 bil.	6.4%
Net Interest Income of Individuals	$ 273.95 bil.	11.2%
Total National Income	$2,455.4 bil.	100.0%

*Preliminary Estimate

which increased $400 million in an early response to increased demand for money.

The total dislocation was a modest $6.4 billion, and it would have corrected in due time if the economy had remained in equilibrium. The corresponding comparative statistic is the total public and private debt, which stood at $555 billion at the end of 1952. That was the beginning. The 10 years of economic equilibrium from 1943-52, sustained by an average of 100% of parity of farm prices, and comparable prices on other raw materials, had been fractured -- never in the next 30 years to be put back together again by the conscious effort of man, nor by the magic of the free market.

By 1960, during the period of time when my customer George's cows dropped from $300 per head to $80.00 per head, (Exhibit 7) the distortion in the distribution of national income grew to $29 billion. Of this total, the decline in realized net farm income made up more than half. But the small business and corporate sectors were beginning to pick up a larger share. In 8 years total public and private debt had grown to $874.9 billion. Regress marches on.

Ten years later, at the end of 1970, (Exhibit 8) the income distortion had grown to $106.7 billion. The agricultural economy lost $39.4 billion of net income that year. Because it was getting tougher on the farm, Small Business came in a close second with a loss of $33.4 billion. Rental Income has now turned to a Loss also, and Corporate profits have dropped $31.0 billion. Compensation of employees continues to rise, but the significant rise, percentagewise, is in the growth in interest income of individuals. This income has already passed through the financial system (corporate profits) and is significant of the new total public and private indebtedness of $1,844 billion at the end of 1970.

Next comes 1980. For the sake of brevity we are jumping 10 years at a time, but these losses are occuring every year and the economic depredation they cause are cumulative.

At year end 1980 (Exhibit 9) the national income distortion has grown to $345.7 billion. This year farmers lost $117.3 billion of realized net income. Income that should have been earned on the production farmers had in 1980, had their share remained at 6.63 cents out of each National Income dollar as it had from 1943-52. I estimate that to be a per farm loss of NET INCOME of $55,000.00 each. That would have paid a lot of interest and land payments.

But the farmer isn't the only one being put upon now. Small business is running a close second with a loss of $115.8 billion. Not quite as painful on a "per businessman" basis only about $1,000.00 per month NET PROFIT for the individual business or professional man. And

Exhibit 7

NATIONAL INCOME
U.S.A.
(Billions of Dollars)

	1960	Restored to 1943-52 average	Distortion
Comp. of Employees	$294.9	$275.1	+$19.8
Net Farm Income	$ 11.7	$ 27.6	-$15.9
Small Businees & Proff.	$ 35.5	$ 43.7	-$ 8.2
Rental Income	$ 14.5	$ 11.6	+$ 2.9
Corporate Profits	$ 47.6	$ 52.5	-$ 4.9
Net Interest Income	$ 11.4	$ 5.2	+$ 6.2
Total Nat'l Income	$415.7	$415.7	
Net Dislocation			+/-$29.0
Debt-Total Public and Private			$874.9 billion

Exhibit 8

NATIONAL INCOME
U.S.A.
(Billions of Dollars)

	1970	Restored to 1943-52 Average	Distortion
Comp. of Employees	$612.0	$536.5	+$ 75.5
Net Farm Income	$ 14.3	$ 53.7	-$ 39.4
Small Business & Proff.	$ 51.9	$ 85.3	-$ 33.4
Rental Income	$ 19.7	$ 22.6	-$ 2.9
Corporate Profits	$ 71.4	$102.4	-$ 31.0
Net Interest Income	$ 41.4	$ 10.2	+$ 31.2
Total Nat'l Income	$810.7	$810.7	
Net Dislocation			+/-$106.7
Debt - Total Public and Private			$1,844.0 billion

Exhibit 9

NATIONAL INCOME
U.S.A.
(Billions of Dollars)

	1980	Restored to 1943-52 Average	Distortion
Comp. of Employees	$1,596.5	$1,403.9	+$192.6
Net Farm Income	$ 23.4	$ 140.7	-$117.3
Small Business & Proff.	$ 107.2	$ 223.0	-$115.8
Rental Income	$ 31.8	$ 59.2	-$ 27.4
Corporate Profits	$ 182.7	$ 276.0	-$ 85.2
Net Interest Income	$ 179.8	$ 26.7	+$153.1
Total Nat'l Income	$2,121.4	$2,121.4	
Net Dislocation			+/-$ 345.70 billion
Debt - Total Public and Private			$4,820.0 billion

Rental income is hurting badly too and corporate profits are declining at the rate of $85.2 billion for 1980. Everyone is borrowing money by this time. Total public and private debt has increased to $4,820 billion. The interest costs on this debt are being passed through to the consumer on anything he buys from food to automobiles and inflation is going to be running at double digit rates for the next several months.

By the winter of 1980 the American voters had had enough. Irresponsible monetary and fiscal policies had to be reversed. The nation elected a conservative president and a new 'supply side' economic concept which was going to turn the nation's economy around, but without improved farm prices and with a continuing decline in realized net farm income.

Year end 1981, (Exhibit 10) still too early for "supply side" economics to solve many economic problems, the distortion grew to $416.8 billion dollars. The total public and private debt, no longer compiled by the Department of Commerce, (probably because they couldn't stand to look at it) is now estimated to be $5.4 trillion.

We have taken this analysis one step further and we estimate that the 1982 distortion (Exhibit 11) will total $491.1 billion when the final figures are available. Assuming some restriction on credit this past year, we still expect an increase of $700 billion dollars to an estimated new total of $6.8 trillion of public and private debt. We fail to see any significant change in the long term trend this past year.

With the aid of Exhibit 12 we will attempt to summarize briefly some of the things that these national income comparisons from 1952 through 1982, tell us.

Our first observation is the fact that agriculture's share of National Income has declined from an average of 6.63% out of every dollar from 1943 through 1952, to an all time record low of 78/100ths of 1% in 1982. This is a decline of 88.2% over 30 years, at an average rate of 2.9 percentage points every year.

Comparing that decline with the decline in national income share suffered by agriculture in the depression of the 1930s. Agricultures' share of National Income in 1929 was 7.2% out of every dollar. It reached a low of 4.9% in 1932, which constituted a loss of only 32% in the worst depression in this century.

The last half century is touted to be the longest period of uninterupted prosperity in the history of the United States. A period in which the National Income of the United States has increased from $42.8 billion in 1932, to an estimated $2,455.4 billion in 1982, nearly 58 times more than 1932. Realized net farm income, in the same period, has increased

Exhibit 10

NATIONAL INCOME
U.S.A.

	1981	Restored to 1943-52 Average	Distortion
Comp. of Employees	$1,767.6	$1,556.9	+$210.7
Net Farm Income	$ 24.0	$ 156.0	-$132.0
Small Business & Prof'l	$ 100.7	$ 247.2	-$146.6
Rental Income	$ 33.9	$ 65.6	-$ 31.7
Corporate Profits	$ 190.6	$ 297.1	-$106.5
Net Interest Income	$ 235.7	$ 29.6	+$206.1
Total National Income	$2,352.5	$2,352.5	
Net Dislocation			+/-$416.8
Debt - Total Public and Private			$5,400.0 billion

Exhibit 11

NATIONAL INCOME
U.S.A.

	1982*	Restored to 1943-52 Average	Distortion
Comp. of Employees	$1,874.7	$1,626.6	+$248.1
Net Farm Income	$ 19.2	$ 162.9	-$143.7
Small Business & Prof'l	$ 99.1	$ 258.3	-$159.2
Rental Income	$ 33.9	$ 68.6	-$ 34.7
Corporate Profits	$ 156.9	$ 310.4	-$153.5
Net Interest Income	$ 274.0	$ 31.0	+$243.0
Total Nat'l Income	$2,457.8	$2,457.8	
Net Dislocation			+/-$491.1
Debt - Total Public and Private			$6,100.0 billion

*Preliminary Estimate

Exhibit 12

TOTAL CUMULATIVE DISLOCATION OF
NET INCOME [profits] IN THE
PRIVATE ENTERPRISE SECTORS OF THE U.S. ECONOMY
1952-1982

Where it was taken from:	[billions]	% Decrease From 1943-52
Income of Farm Proprietors	$1,344.6	-88.2%
Total Compensation of Unincorporated Businesses & Professionals	$1,252.6	-61.9%
Rental Income of Persons	$ 181.2	-49.8%
Total Corporate Profits	$ 732.8	-49.3%
Total Dislocation 1952-82	$3,511.2	
Where it was placed:		**% Increase From 1943-52**
Compensation of Employees	$2,102.1	+13.4%
Interest Income of Individuals	$1,409.1	+888.9%
Total	$3,511.2	
Total Public and Private debt required to restore temporary balance	$6,100.0	

. $2.1 billion in 1932, to an estimated $19.2 billion in 1982, not quite 10 times more than 1932.

This tells you that agriculture is still doing the same job that it did 50 years ago, providing the raw materials for feeding, clothing and housing society, but it is receiving only 1/6th the increase in national income share that the other sectors in the economy have received. Agriculture's loss of national income share in the last 30 years of unprecedented national prosperity is nearly 3 times greater than it was from 1929 to 1932, the worst national depression in history.

Such incredible statistics should inspire the sympathy, if not the understanding, of the meanest bankers in the country.

I'm inclined to believe that the figures in Exhibit 12 are the most significant of any in this series of exhibits because it consolidates the cumulative totals so concisly.

For example. The cumulative total of all the annual losses of cash, that agriculture failed to earn as realized net income, totals $1,344 billion on the production that was sold during that 30 years, had the industry's share of national income remained consistently at 6.63% per annum.

That amount of money, had it been spent in one place, would not only have paid off every cent of the $181.6 billion of debt owed by every farmer in the United States at the end of 1982, but there would have been enough left over to buy and pay for every one of the $983.6 billion of total assets invested in the agricultural economy, lock, stock and barrel. And, there would still have been enough money left for a $179.4 billion celebration of the farmers good fortune.

However, had agriculture earned 6.63% of National income consistently after 1952, it wouldn't have owed $181.6 billion in 1982. Nor would the farmer need to purchase all of the assets of the agriculture economy for $983.6 billion, because he already owned that, and it would have been virtually debt free.

Therefore the farmer would have been free to spend the $1,344.6 billion of farm profits for something else.

Now if this had been the case, and it not only could have been, but it should have been, then the profits of the unincorporated businessman and professionals would have turned an additional profit of $1,252.6 billion, just as though their share of national income had remained at 10.51% as a constant share after 1952, as the original raw material dollars move into the channels of trade.

With agriculture earning an additional $1,344.6, and Small business earning an extra $1,252.6, this total of $2,597.2 billion would have increased Rental income $181.2 billion as though rental income had remained at the 2.79% that it averaged from 1943 through 1952.

The cumulative profits now totaling $2,778.4 now will surely stimulate corporate income to earn its additional $732.8 billion as though its percentage share had also remained at 12.63% of National income from 1952 to 1982.

The cumulative total of all of the 'private enterprise' sectors is now $3,511.2 of profits which would have accrued to the economy over the past 30 years, had we retained the equilibrium which brought us safely through World War II and the post-war reconversion period from 1943 through 1952.

Now you must recognize that what we are talking about is National Income which is the "profit" earned in the 'private enterprise' sectors annually. Assuming the profit is probably only 20% of the gross income earned by these sectors, then we are talking about a loss of gross income to the private enterprise sectors of 5 times the net of $3,511.2 or a gross of $17,556.0 billion which would surely have provided jobs and income for the 12 million people who are unemployed in the United States today.

Moreover, this re-alignment of profits would have precluded the need for an injection of $6.1 trillion of debt into the economy ($5.5 trillion since 1952) and would have kept the national income of individuals at the 1943-52 rate of 1.26% annually, rather than the 14.6% that it is garnering in 1982.

Are you thinking that this may be pure fantasy? Don't believe it. This is an accurate reconstruction of what the economy could have been like, had we maintained the 1943-52 economic equilibrium.

The fantasy that the nation is suffering from is the idea that it is possible to avoid profits and earned income, and inject upwards of $5.5 trillion of debt into the economy without doing irreparable and permanent damage to the economy which will cause problems for the next 100 years or more.

The fantasy is, that we in this generation feel that we have a right to obligate $5.5 trillion of the income to be earned by future generations, which will have to be repaid by not just our children but also our children's children, and very likely their children's children, if it is ever repaid in full. Believe me when I tell you that debts must and will be repaid one way or another. One of the lessons we bankers learned in the 1930s is that "if the debtor doesn't pay, the creditor will".

The fantasy is that we in this generation have been perfectly willing to obligate the income of future generations, who have no say in the matter, and probably expect them to remember us with love and affection, when we are gone.

The fantasy is we have a right to use precious resources which we could not afford without an injection of excessive debt, which we should be holding in reserve for future generations, as their birthright.

I probably shouldn't inject this item at this point, but recently I received a photostatic copy of a Christian Science Monitor new item which carried a message entitled "To Reagan: ' East-West trade is a fact of life". I quote "...As Wharton economist Jan Vanous recently noted, the morass of soviet agriculture has created a situation in which it is far more profitable for the Soviets to buy grain rather than produce it themselves. Grain imports for 1981 (46 million metric tons) are calculated to have saved the Soviet economy roughly $32 billion over the cost of domestic production".

In the meantime farm leaders from the United States, and representatives of the department of agriculture are concentrating on pursuading common market countries to reduce their support prices to equate to the reduced market price in the United States.

An extra $32 billion of income would look good on top of the $19.2 billion of realized net farm income anticipated in the United States in 1982, but even that wouldn't put a patch on the $162.8 billion of profits American agriculture would have earned if their national income share had remained at 6.63%.

I know some of you will be wanting me to tell you where the economy is going in the near future. I must admit that I don't have a very clear idea. I do believe that there is a legitimate way to turn the economy around, as you know by now. I also know that if we don't turn it around we will become the victims, as well as the agents, of our own destruction.

[1] **"Problems and Progress in the Agricultural Economy" Pages 2 and 3, Dale E. Hathaway.**

V.E. Rossiter, Sr.
National Organization for Raw Materials
Kansas City, Mo

"THE REAL STORY"

That percentage share of National Income earned by Agriculture annually as Realized Net Farm Income from 1929 to 1981.

The Total Loans of All Commercial Banks in the United States in Ratio to Total Deposits from 1929 to 1981

	Percent of National Income	Loans in ratio to deposits	
1929	7.2%	68.9%	
1933	6.3%	47.2%	
1939	6.2%	28.3%	
1940	5.5%	27.2%	
1941	6.2%	30.4%	
1942	7.4%	21.6%	
1943	7.1%	18.1%	
1944	6.6%	16.9%	
1945	6.9%	17.4%	
1946	8.3%	22.4%	
1947	7.8%	26.4%	
1948	8.0%	29.7%	
1949	5.9%	29.6%	
1950	5.8%	33.7%	
1951	5.9%	35.0%	
1952	5.3%	36.6%	
1953	4.3%	38.3%	
1954	4.2%	39.2%	
1955	3.5%	43.0%	
1956	3.2%	45.7%	
1957	3.0%	46.6%	
1958	3.6%	45.5%	
1959	2.7%	50.4%	
1960	2.8%	51.2%	
1961	2.8%	50.2%	
1962	2.7%	53.5%	
1963	2.5%	56.7%	
1964	2.1%	57.2%	
1965	2.3%	60.7%	
1966	2.2%	61.8%	
1967	1.97%	59.7%	
1968	1.8%	61.1%	
1969	1.9%	67.9%	
1970	1.8%	65.2%	
1971	1.7%	64.5%	
1972	1.9%	67.3%	
1973	3.0%	72.6%	
1974	2.3%	73.4%	
1975	2.0%	69.5%	Commercial Bank
1976	1.4%	71.0%	Data Revised by the Federal
1977	1.2%	72.4%	Reserve Bank for 78-79-80-81
1978	1.5%	77.6%	71.7%**
1979	1.6%	33.5%	77.4%**
1980	1.1%	81.2%	71.7%**
1981	.95%	86.5%*	76.5% 10/22/81**
1982*	.78%	85.8%	75.8% 8-25-82**

V.E.Rossiter, Sr.
Analyst 1-14-82

*Estimate
**Revised data

Exhibit 13

THEN AND NOW
(Billions of Dollars)
NATIONAL INCOME
U.S.A.

	1982*	1943-52 Average	+ Increase
Comp. of Employees	$1,874.7 bil.	$141.5 bil.	+$1,733.2
Net Farm Income	$ 19.2 bil.	$ 14.2 bil.	+$ 5.0
Small Business & Professionals	$ 99.1 bil.	$ 22.5 bil.	+$ 76.6
Rental Income	$ 33.9 bil.	$ 6.0 bil.	+$ 27.9
Corporate Profits	$ 156.9 bil.	$ 27.0 bil.	+$ 129.9
Net Interest Income	$ 274.0 bil.	$ 2.7 bil.	+$ 271.3
Total National Income	$2,455.4 bil.		+$2,241.5

*Preliminary Estimate

NOTE: Reference to national income of individuals in the third full paragraph, middle column of page 11 should read "interest income of individuals.

Bill Number: H.B. 2415

House Agriculture Committee

Chairperson: Bill Fuller

....

March 2, 1983

Ladies and Gentlemen of the Committee:

My name is Pat Lehman. On behalf of the members of District Lodge 70 of the International Association of Machinists and Aerospace Workers, I rise to support Bill Number H.B. 2415.

We, in the Machinists Union, well understand how the well-being of our state and nation's economy is tied to our farm families' ability to receive a fair price for the products they produce.

Many of our members in Kansas are small farmers who can only afford to farm because either the husband or wife and/or some of the children work for one of the companies where we have a contract. Their genuine love for the land--land they and their families have often been good stewards of for generations--is a powerful bond, and drives them to make whatever financial arrangements they must to enable their family to stay on the land.

In addition, many more of us who are Machinists members spent at least part of our lives on the farm, leaving only when economic realities forced us to do so.

But, we as Machinists, have even more dramatic proof of that unbroken economic link that binds our members and Kansas farmers. One of our major contracts is with the Cessna Fluid Power Division in Hutchinson, Kansas. This company primarily produces hydraulic systems for farm implements, sub-contracting with some of the largest farm implement manufacturers in the nation, such as John Deere.

The devastation of this industry has been well documented in articles in many national publications, such as the Wall Street Journal, and we have certainly seen it first hand.

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In 1980, employment at the Cessna Hutchinson division was 3,000. In January, 1983, this figure was down to approximately 850, and the unemployment figure in Reno County was one of the highest in the state.

In addition, those workers who are still on the active payroll have not averaged working a full month for more than a year. This constant disruption in their work life has caused massive social and economic problems for our members and their families, as well as for the entire community.

Further, as I'm sure you are aware, other of our major contracts are with the aircraft manufacturers in Wichita. The Kansas group of flying farmers is well known, but we are selling few airplanes to farmers today.

As Kansas farm families struggle with yet another in a long series of disastrous National Farm Programs and the National Secretary of Agriculture strums his guitar, economic disasters for Kansas farmers is a grim reality.

The simple fact is, Kansas farmers are not receiving enough payment for their products. As a result, more family farms are going up on the auction block each week, while too many elected representatives and the White House busily pass the buck of responsibilities and solutions back and forth.

We, therefore, urge our Kansas Legislators to take a bold step toward solving this problem by voting for and recommending H.B. 2415 to the full House for passage.

We urge you to exhibit the leadership necessary to get this action started on a state level, since the current national administration keeps stressing a defederalization of all programs.

We view this minimum payment as nothing more than a minimum wage for farm families.

If this bill is passed into Kansas law, the added costs for food will be small, we believe, and well worth the price in comparison to what we can expect as more and more of our farmland is gobbled up by a few giant corporations.

Again, we urge your consideration of H.B. 2415.

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Chairman Bill Fuller, House Committee on Agriculture and Livestock

Re: HB 2415, testimony, March 2, 1983.

From John M. Stitz, Dir. Catholic Rural Life, Archdiocese of K.C. Kansas

Thank you for allowing me to voice support for this minimum pricing bill. The intent of the bill is fully consistent with the goals of the Catholic Rural Life. In addition, Archbishop Ignatius Strecker of Kansas City, Kansas also endorses this legislation.

We support this bill for three reasons. First, it will contribute to the survival of many family farmers. Second, the legislation will lead to cooperation with other states, a step needed to multiply the political power held by individual states. And third, the bill is concerned with the heart of the farm problem, low prices.

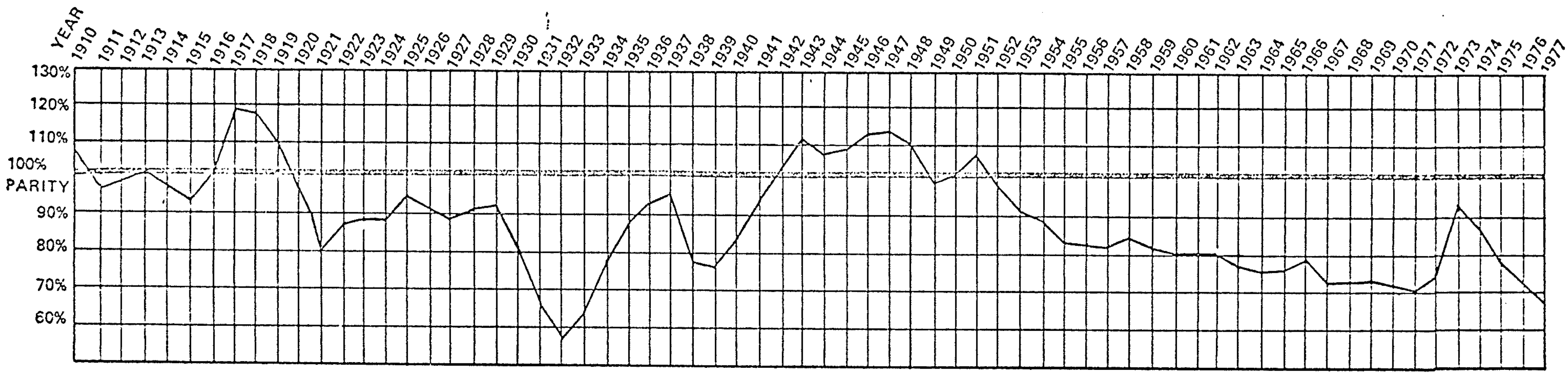
Because of time, I will confine my remarks to the third reason. Our basic farm problem is not surplus, not farm structures, not exports not supply and demand; it is price, which in turn generates problems with surpluses and over supply.

The Catholic Rural Life Conference has always maintained that it is a matter of social justice that farmers receive a fair return on their production, just as any worker has a right to a just wage. That income should allow them to survive and to enable them to raise their families in dignity. We see family farm agriculture as the best method of caring for the land, an obligation given to us by God. Use and conservation of land is directly related to the preservation and development of human life. Farm prices at less than parity are unjust and lead to consequences having direct impact on family farmers and rural communities.

We have been conducting extensive scientific research on how farmers respond to the economy in Kansas over the past one hundred years. The evidence clearly shows that two major factors contributed to surplus production, low farm income and federal agricultural policies which have consistently supported increased production. Parity price is linked to farmer survival, full employment and the economic health of the state.

 (see attached)

HERE IS THE PARITY RATIO LINE FOR 67 YEARS.
THE LINE REFLECTS THE YEARLY AVERAGE OF ALL FARM PRODUCTS.



This graph, compiled from U.S.D.A. monthly Parity Reports shows the actual condition that American farmers have been experiencing for the last 67 years.

1910 - 1914 is the base period that was used in the original Parity formula.

It was at the low point in 1932 that farmers knew they had to have a farm program that would insure their security.

That program came about in the Roosevelt administration as represented by the Parity figure finally reaching 90% - 100% in the 1940's and early 1950's.

The graph shows a steady decline since then, except for a brief upswing in 1973.

Statement to the

COMMITTEE ON AGRICULTURE & LIVESTOCK
HOUSE OF REPRESENTATIVES
By Doug Wildin
Rt. 1, Hutchinson, Ks.
March 2, 1983

Mr. Chairman and members of the committee: My name is Doug Wildin, Hutchinson. My sons and I farm about 2,000 acres. We also sell large farms and ranches throughout the western half of the US. It turns out we farm for a hobby, although it wasn't planned to be that way!

I am a member of several farm organizations, including the Kansas Livestock Association and the Kansas Association of Wheat Growers.

I appreciate the fact that this committee recognizes the need for a solution to the very serious matter of low farm commodity prices and that you are willing to give your time in the effort to provide farmers the opportunity to try to solve the problem of low commodity prices.

To begin with, I believe all of us in this room agree on a number of things:

1. I believe we all agree that farm prices are too low;

2. I believe we all agree that low farm prices are contributing to a substantial part of the problems we are currently experiencing in funding state government;

3. I believe we all agree that low farm prices are responsible for a substantial number of ag related businesses going broke throughout the state of Kansas;

4. I believe we all agree that low farm prices are responsible for a sizeable part of the unemployment problem in Kansas;

5. I also believe you will agree that the state of Kansas cannot solve the problem by itself. However, we can (and certainly <u>should</u>) do all we can to cooperate with and assist the other major grain producing states in similar efforts to solve the problem of low farm prices.

And that is exactly what HB 2415 is designed to do!

Since Kansas is usually the largest wheat producing state in the nation, it is very vital for the Kansas Legislature to take the lead in passing SB 2415. We are <u>the</u> leaders and we must take a leadership position.

I believe you will also agree that it might be easier for the Federal gov't to provide legislation that will solve our price problems but I also believe

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that you will agree that history proves that the Federal gov't won't do much more than provide a band-aid to set the broken bones.

A good example of the "band-aid" approach by the Federal government is the new Payment In Kind farm program. I don't mean that I'm opposed to the PIK program since I feel its the best start on a solution we've had in years and I hope every farmer will participate the full 50% in acreage cuts. I believe this enough that we've already signed the full 50% in both our wheat and feed grain base.

However, the problem with the PIK program is that its typical of all Federal government programs - they are always at least a year late in their efforts to solve the problem; for example, the USDA has known for more than a year that grain stocks were building way beyond current needs but, as you well know, the Federal government has rejected any effective controls on grain production until recent months.

I believe you also will agree that we will have to develop a system of effective production controls on grain in the US to accompany a floor price. HB 2415 provides for this measure.

It will also be necessary for the other major grain exporting nations, Canada, Australia, Argentina and the EFC, to cooperate with the major grain producing states in the US in controlling production. The reason I say cooperate with the major grain producing states instead of the US as a whole as its very clear that our Federal government has scuttled efforts by the other major exporting nations to develop such an agreement in recent years.

Reports are attached which document efforts Canada has made for the past 4½ years to try to get the US to cooperate in production controls, market sharing and price floor agreements, including conferences in Canada on July 26, 1980 and Oct. 24, 1981 between representatives of the Canadian and US Congress in which the participants agreed that low grain prices were "causing Canada and the US to lose billions of dollars in potential balance of payments benefits."

Furthermore the Ag Commissioner for the EEC is currently proposing penalizing EEC farmers for overproduction of surplus crops.

I should add that Canada was proposing a $4 per bushed floor price under wheat clear back in July, 1978 at a time when our Kansas cash wheat prices were about $2.75 per bu. Judging from that, I can see no reason why they wouldn't be in favor of a substantial price floor today.

Probably most of the members of this committee know who some of the opponents of the market-sharing, price floor agreement between Canada and the US that have been proposed over the past 4½ years but for those that may have missed out on this issue, I have attached several articles relative to the matter:

1. Articles from Apr. 1977 Wyoming Stockman-Farmer and Mar. 31, 1977 Record Stockman quoting the Chicago Board of Trade as opposing a wheat floor price agrement;

2. Articles from Nov. 27, 1978 High Plains Journal and Dec., 1978 Wyo. Stockman Farmer quoting Continental Grain Co. as being opposed to a wheat pact agreement;

3. An article from June 6, 1978 Grass and Grain indicating Sen. Dole "feared" a fixed floor price for wheat.

However, in view of the devastation caused to the economy of Kansas as well to the economy of the other major grain producing states, I find it hard to believe that anyone would have the audacity to oppose farmers efforts to improve grain prices.

What is exactly what HB 2415 is designed to do.

I would like to emphasize that it is not my desire or intention to damage in any manner either the major grain companies or the futures industry; the statements above are in my opinion, just simply the facts.

I've heard a few express concern that if we had a substantially higher floor price under grain, we might not be able to sell it in order to pay our notes and bills when they come due.

However, evidently they are overlooking the fact that we have the regular loan on wheat, for those that participate in the existing farm programs, of approximately $3.50 per bu. which is about all we could sell it for in recent months. And the government is paying the storage and interest on these loans after the first year.

And last but certainly not least, low US grain prices are the main reason the Russians have been able to buy the grain they need way below the average of US production costs; Wharton economist Jan Vanous estimated recently that the Russians saved $32 billion in 1981 alone by buying grain instead of producing it themselves!

Why, why subsidize the Russians?? On one hand we find the US planning to spend over $200 billion in 1984 for defense and on the other hand, we are the main reason Russia saved $32 billion in just one year, which means they had $32 billion more to spend on armaments that year!

You will be interested to note the attached copies of editorials from the four major daily and weekly publications in Kansas which all supported the floor price or grain market compact concept.

I've been selling large farms and ranches for 17 years and have never seen as much land for sale as there is today, simply because many farmers need to sell some or all of their land to reduce debt that was brought on by low farm commodity prices.

I sincerely hope this committee will do all it possibly can to help solve the problem of ridiculously low grain prices by supporting HB 2415 - surely by now everyone agrees we need to get started with a solution!

Thank you again. If you have any questions or comments, I would appreciate hearing them.

Re: H.B. 2415 Reading time: 3 min.

Proponet

To: Chairman Fuller & members of the House Agriculture Committee

From: Lois Scheufler, a farm wife, R.2, Sterling, Ks. 67579. Ph. (316) 257-2759

Surely you all realize by now that the basis of the economy is agriculture.

Individual farmers have been & will continue to do a BAD job of marketing their products, therefore the whole state is & will continue to be in trouble. If they were smart, they would get together in an organization to market their products.

But they DO NOT & they WILL NOT!

Something HAS to be done! NO WAY should they be allowed to give away the God-given wealth of Kansas! (and "selling below the cost of production"

IS "giving away"). We're lucky that the U.S. Supreme Court realized this years ago! Please take advantage of their wisdom.

You probably are, as I, against big corporations and/or government getting control of your food (the land).

Two years ago, I gave up 5 weeks of my life to try to get SOME KIND of a floor price on wheat. The bill was for 70% of parity, which was about $4.89. Price then was around $4.00. If they would have passed ANYTHING, Kansas today, would be better off. THEY WOULD NOT TRY TO WORK WITH US!

There are 2 things you may want to reconsider on this bill:

1.) If you leave this bill up to a referendum, would it have a chance if FB Mutual Insurance Co. runs ads to defeat it on radio & TV & in the newspapers?

2) Do you want a compact with other states? You know, that gives the Federal Government control. We proved to Kansas legislators two years ago that Kansas alone, has enough hard red winter wheat that goes through the gulf port that we CAN & SHOULD make those big corporations pay for it! You know they won't shut down their operations BECAUSE of PRICE — which they can pass on!

I beg of you to please — clean up this bill & pass it quickly.

Sincerely

Lois Scheufler
R.2 Sterling, Ks 67579
Ph (316) 257-2759