

1032

9444
Ag 8/2
F22/56

Y
4
Ag 8/2
F22/56

GOVERNMENT

Storage

PRODUCTION COSTS

TS

HEARING

THE LIBRARY
KANSAS STATE UNIVERSITY BEFORE THE

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES

OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1857

A BILL TO AMEND THE AGRICULTURAL ACT OF 1949, AS AMENDED BY THE AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973, TO PROVIDE FOR THE ADJUSTMENT OF THE SO-CALLED TARGET PRICES FOR WHEAT, FEED GRAINS, AND COTTON ON THE BASIS OF THE FARMERS' INCREASED COST OF PRODUCING SUCH COMMODITIES, AND

S. 1858

A BILL TO REQUIRE THE SECRETARY OF AGRICULTURE TO COMPUTE AND PUBLISH PERIODICALLY A COST OF PRODUCTION INDEX FOR CERTAIN AGRICULTURAL COMMODITIES

SEPTEMBER 29, 1975

Printed for the use of the Committee on Agriculture and Forestry



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1975

60-094

KSU LIBRARIES
684669 00511A

COMMITTEE ON AGRICULTURE AND FORESTRY

HERMAN E. TALMADGE, Georgia, *Chairman*

JAMES O. EASTLAND, Mississippi	ROBERT DOLE, Kansas
GEORGE McGOVERN, South Dakota	MILTON R. YOUNG, North Dakota
JAMES B. ALLEN, Alabama	CARL T. CURTIS, Nebraska
HUBERT H. HUMPHREY, Minnesota	HENRY BELLMON, Oklahoma
WALTER D. HUDDLESTON, Kentucky	JESSE HELMS, North Carolina
DICK CLARK, Iowa	
RICHARD B. STONE, Florida	
PATRICK J. LEAHY, Vermont	

MICHAEL R. McLEOD, *General Counsel and Staff Director*

SUBCOMMITTEE ON AGRICULTURAL PRODUCTION, MARKETING, AND
STABILIZATION OF PRICES

WALTER D. HUDDLESTON, Kentucky, *Chairman*

GEORGE McGOVERN, South Dakota	MILTON R. YOUNG, North Dakota
JAMES O. EASTLAND, Mississippi	HENRY BELLMON, Oklahoma
HUBERT H. HUMPHREY, Minnesota	ROBERT DOLE, Kansas
DICK CLARK, Iowa	JESSE HELMS, North Carolina
RICHARD B. STONE, Florida	

Ex OFFICIO MEMBER

HERMAN E. TALMADGE, Georgia

(II)

CONTENTS

	Page
Statement of—	
Ahalt, J. Dawson, staff economist, U.S. Department of Agriculture..	3
Bellmon, Hon. Henry, a U.S. Senator from the State of Oklahoma..	1
Miscellaneous documents:	
S. 1857.....	1
S. 1858.....	2
Departmental views on S. 1857 and S. 1858.....	2

CONFIDENTIAL

CONFIDENTIAL

FARM PRODUCTION COSTS

MONDAY, SEPTEMBER 29, 1975

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL PRODUCTION,
MARKETING, AND STABILIZATION OF PRICES OF THE
SENATE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in room 324, Russell Senate Office Building, Hon. Henry Bellmon presiding.
Present: Senators Bellmon and Young.

STATEMENT OF HON. HENRY BELLMON, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON: There are two bills before us this morning, S. 1857 and S. 1858.

They are more or less related. S. 1858 would require the Secretary of Agriculture to complete and publish a cost of production index for wheat, cotton, corn, grain sorghum, soybeans, barley, oats, and rye within 90 days after the enactment of this bill and not less often than annually thereafter.

S. 1857 would amend existing law by substituting the term "change in the production costs of farmers" for the term "in the index of prices paid by farmers for production items, interest, taxes, and wage rates," and make other necessary conforming changes.

The effect of S. 1857 would be to change the basis for adjusting the established prices of wheat, corn, and cotton in 1976 and 1977 from reliance on changes that occurred in the previous year in the index of prices paid by farmers for production items, interest, taxes, and wage rates to changes that occurred in the costs of production of farmers.

These latter cost computations are required of the Secretary by S. 1858.

Without objection I would like to place in the record at this point copies of S. 1857 and S. 1858 and the departmental views on these bills.

[S. 1857, S. 1858, and the Departmental views follow:]

[S. 1857, 94th Cong., first sess.]

A BILL To amend the Agricultural Act of 1949, as amended by the Agriculture and Consumer Protection Act of 1973, to provide for the adjustment of the so-called target prices for wheat, feed grains, and cotton on the basis of the farmers' increased cost of producing such commodities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 107(c) of the Agricultural Act of 1949, as added by paragraph (8)(D) of the first section of the Agriculture and Consumer Protection Act of 1973, is amended by—

(1) striking out "in the index of prices paid by farmers for production items, interest, taxes, and wage rates" and inserting in lieu thereof "in the production costs of farmers";

(2) striking out "in such index" and inserting in lieu thereof "in the production costs of farmers"; and

(3) striking out "change in the index of prices paid by farmers" and inserting in lieu thereof "change in the production costs of farmers".

SEC. 2. Section 105(b) of the Agricultural Act of 1949, as amended by paragraph (18)(B) of the first section of the Agriculture and Consumer Protection Act of 1973, is amended by—

(1) striking out "in the index of prices paid by farmers for production items, interest, taxes, and wage rates" and inserting in lieu thereof "in the production costs of farmers";

(2) striking out "in such index" and inserting in lieu thereof "in the production costs of farmers"; and

(3) striking out "change in the index of prices paid by farmers" and inserting in lieu thereof "change in the production costs of farmers".

SEC. 3. Section 103(e)(2) of the Agricultural Act of 1949, as amended by paragraph (20)(C) of the first section of the Agriculture and Consumer Protection Act of 1973, is amended by—

(1) striking out "in the index of prices paid by farmers for production items, interest, taxes, and wage rates" and inserting in lieu thereof "in the production costs of farmers";

(2) striking out "in such index" and inserting in lieu thereof "in the production costs of farmers"; and

(3) striking out "change in the index of prices paid by farmers" and inserting in lieu thereof "change in the production costs of farmers".

[S. 1858, 94th Cong., first sess.]

A BILL To require the Secretary of Agriculture to compute and publish periodically a cost of production index for certain agricultural commodities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of Agriculture shall compute and publish periodically, but not less often than once each year, a cost of production index for wheat, cotton, corn, grain sorghum, soybeans, barley, oats, and rye.

(b) The first cost of production index for the commodities referred to in subsection (a) shall be published by the Secretary of Agriculture within ninety days after the date of enactment of this Act.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., September 12, 1975.

Hon. HERMAN E. TALMADGE,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request for reports on S. 1857 and the related S. 1858. The purposes of these Bills are to amend the Agricultural Act of 1949 as amended by the Agriculture and Consumer Protection Act of 1973 to provide for the adjustment of the target prices for wheat, feed grains, and cotton on the basis of farmers' costs of producing such commodities and to require the Secretary of Agriculture to compute and publish periodically cost of production indexes for wheat, cotton, corn, grain sorghum, soybeans, barley, oats, and rye. The purpose of S. 1858 apparently is to provide a basis for implementing S. 1857.

The Department opposes enactment of these Bills.

S. 1857 would substitute changes in the production costs of farmers for changes in the index of prices paid by farmers for production items, interest, taxes and wage rates. This change would have the effect of using a different index of production costs for each commodity.

Use of commodity-specific indexes for adjusting target prices for 1976 and 1977 would raise target prices above those estimated with current legislation. Market

prices are expected to be above projected target prices through 1976, but higher target prices in 1977 could increase deficiency payments by about \$325 million.

If this Bill were to become law, target prices would rise fastest for commodities whose production costs have risen the fastest. As a result, public funds would be used to encourage production of crops with the higher costs relative to other crops, whereas, market price relationships would suggest that for efficient allocation of scarce resources, production of higher cost commodities be reduced. Existing provisions for substitution among crops would permit some adjustment to lower-cost crops, but would not alleviate making deficiency payments to producers having allotments. For some crops, allotments could be reduced to produce only those quantities of the commodities that could be sold at the higher prices, but government costs could not be reduced if a commodity, such as cotton, has a minimum allotment.

S. 1858 proposes specific costs of production indexes for crops. Although the present index of prices paid by farmers for production items, interest, taxes and wage rates does not properly reflect the relative importance of some production inputs, these weights are being revised, and the revised index will more adequately reflect changes in farmers' production costs.

The Office of Management and Budget advises that there is no objection to the presentation of this report and that enactment of this legislation would not be consistent with the Administration's objectives.

Sincerely,

RICHARD A. ASHWORTH,
Deputy Under Secretary.

Senator BELLMON. Our witness this morning is Mr. J. Dawson Ahalt, staff economist from the office of the Secretary.

Mr. Ahalt, we have a copy of your statement. You are free to read it or proceed in any way you would like.

**STATEMENT OF J. DAWSON AHALT, STAFF ECONOMIST,
DEPARTMENT OF AGRICULTURE**

Mr. AHALT. Thank you, Mr. Chairman.

What I would like to do is insert my statement in the record and then just make some summary remarks. Then we can go into the discussion.

Senator BELLMON. Without objection, the statement will be made a part of the record.

Mr. AHALT. We appreciate the opportunity, Mr. Chairman, to comment and to explain the Department's position on S. 1857 and S. 1858. When we sent up our legislative report on these two bills we indicated that the Department was opposed to enacting these bills. I would like to indicate our reasons for this.

Basically, if you look at the basis for the computation of the index of cost of production, including interest, taxes and wage rates, it does include three factors that really do not have an impact on the cost of production for grains and cotton. They are prices paid for feeder livestock, prices paid for fences and building materials, and prices paid for feed.

So, you are quite right in looking at alternatives to adjust the target prices on. But, we believe that the use of cost of production indexes would cause some problems.

Our major concern, Mr. Chairman, is if you adjust the targets based on the cost of production, you raise the targets highest or most rapidly for those commodities in which the cost of production is rising the fastest. Hence, what you are doing is encouraging the production of those commodities that, in effect, have the highest cost. Accordingly the proposal would distort the efficient allocation of resources, which

the price system tries to do. That is our major problem with the proposal. Not only would it encourage a shift toward those commodities where the cost of production is rising the fastest, but by taking out the price incentive you lose the incentive to encourage efficient production techniques.

So that, we could get ourselves into a situation where not only would farmers not be producing the products that have lower cost of production, but they would not tend to use the most efficient production techniques.

We also have a mechanical concern with using actual cost of production indexes. It is very difficult for economists and statisticians to get production cost data.

I do not want to make that appear to be an indictment of our profession, but agriculture economists have been trying to get this information for a long time. They have always had difficulty.

It not only reflects on our problems with getting the information from farmers. It is just difficult to do in general. You have these problems, whether in agriculture you are trying to figure out cost of producing wheat, or in the nonfarm sector the cost of producing oil. It is a very controversial figure. It is simply difficult to get from some firms the actual costs they incur.

This means that we have a long lag involved from the time we start a survey until we actually get the final data and check it out so we can make some sense out of it. Therefore, we would have problems in actually implementing this proposal to have it operational in time to actually make the computations.

By making some assumptions we did, and I show these in my statement, we did estimate the targets, Mr. Chairman, by making some cost projections for 1976 and for 1977.

So far as 1976 goes, current market expectations, if you look at what the future market indicates, it suggests whichever method used to calculate the targets for the coming year that market prices will be well above target level, although the target calculations based on the proposal gives higher targets than does the current legislation.

For 1977, of course, the situation is much more uncertain as to where market prices will be. We did not make a calculation on market prices for that year because there is an enormous amount of uncertainty. But, because of the higher targets, if you did incur some kind of deficiency payments they would be substantially higher under Senate 1857. That, of course, makes it a problem for the administration because of its objectives of trying to hold the line on budget expenditures. This would affect also not only target deficiency payments, but also disaster payments would be increased.

In summary, Mr. Chairman, I would not like to give the impression that we are opposed to doing things to help farmers. The administration is concerned in this regard.

The President indicated last spring that if markets would ease, if there would be some unforeseen easing in markets, that he would direct the Secretary of Agriculture to take action to raise loan rates and that commitment still stands.

We in the Department are going to watch very closely what happens to market supply and demand conditions as well as production costs and prices paid for the various inputs that farmers purchase.

That ends my remarks, Mr. Chairman. I will be happy to try to answer any questions.

I have Mr. Vermeer with me from our economic research service.

Senator BELLMON. Senator Young, do you have any questions you would like to raise?

Senator YOUNG. Yes; I have one or two questions.

Unfortunately, I came in a little late.

You stated it would be very difficult to give us the costs of production figures?

Mr. AHALT. Senator Young, we have surveys underway where we are getting costs of production data. It is a very long involved and detailed job.

The act of 1973 requires us to get the cost of production data. We are still working on 1974 figures at this time.

It is much more difficult to go to a farmer and ask him the expenses he incurred for a particular crop. That is what we have to do. He can show us an invoice on how much he paid for his fertilizer, how much he paid for his fuel, but then we have to be able to work out with him how much of that went on his various crops, including his labor, his fuel and all of his other expenses.

So, it does mean a long drawn out process.

Senator YOUNG. Well, in a meeting or two earlier this year, Mr. Chairman, various members of the committee gave costs of production as estimated or determined by the agricultural colleges. Several of them have given the cost of production figures.

As I recall, the Secretary of Agriculture disputed those and gave figures of his own.

Mr. AHALT. He had some figures. You are quite right, Senator. He had some figures for one area on corn, one area on wheat and one area on cotton. Maybe it was two on cotton. I take that back.

Senator YOUNG. Could we not get them a little earlier?

Mr. AHALT. That is our problem, Senator. That is exactly the problem we are wrestling with.

We can get estimates in particular areas and those were purely estimates that we had last spring. They had for one area, which was northern Indiana on corn, Kansas on wheat, and, if I recall, the Delta for the cotton.

In order to fulfill the requirements in this proposal we would have to have cost of production for the major crops as specified in the proposal for the entire United States. That is a time-consuming job that we are working on.

Senator YOUNG. That is all I have.

Senator BELLMON. Well, I am sure you are familiar with this form you are presently using, this so-called component indexes, which include feed, feeder livestock, building, and fencing materials.

Mr. AHALT. Yes, sir.

Senator BELLMON. You are able to get this information?

Mr. AHALT. Yes, sir.

Senator BELLMON. Why do you not take out feed and feeder livestock because, obviously, someone raising cotton does not care what the price of feeder livestock is? It has nothing to do with the price of raising cotton.

I do not follow the reasoning that it would be more difficult to get the materials under this legislation than it is now. All you do is make a realistic index.

Mr. AHALT. Well, Senator, there are two different series.

The one that you refer to in your hand here relates to our price paid series, which we now get regularly. That is only prices paid for certain items. It is different than a cost of production index. A cost of production index is an estimate of how much it costs to produce a particular crop. Then you index that as opposed to an indexing prices paid.

We are able to get an index of prices paid. It is a more readily gathered figure than is a cost of production index, if you will, which is specified in the proposal that we are discussing here.

Senator BELLMON. You are saying then if you choose to do so you could amend this cost of purchase, take out the feed, feeder livestock, building and fencing material, and give us in that way more realistic costs?

Mr. AHALT. That would tend to more readily affect prices paid incurred in producing the crops that the legislation is oriented toward.

Senator BELLMON. Would you go along with that kind of approach?

Mr. AHALT. Well, we would have to take a position on that.

Senator BELLMON. Well, take a position now. That is what I am asking you to do.

Mr. AHALT. I think that it makes more sense from a standpoint of economics than to calculate it the way the legislation specifies it.

Senator BELLMON. The legislation specifies that system because that is all we had available at that time. We realized it was an imperfect system.

Of course, what happened, as you know, at the time the legislation was written feeder livestock was quite high. They have now come down to something half of what they were. They were close to 70 cents and they are now down in the 30's. That alone has greatly altered the target prices the law provides for.

So, if the Department chose to do it they could do that on its own.

Mr. AHALT. No, sir. The law would have to be changed.

I am not a lawyer, Mr. Chairman, but I believe the law would have to be changed.

Senator BELLMON. Now, from the tone of your statement the main thing you seem to be concerned about is that if we made this change it might encourage farmers to produce the higher cost commodities as opposed to the commodities that might be in demand in the marketplace.

Mr. AHALT. Yes, sir.

Senator BELLMON. I cannot follow that line of reasoning because if you properly computed cost of production the higher cost commodities would not be any more attractive than the lower costs because the target price would simply return to the producer his cost of production and not a profit.

Mr. AHALT. Well, the point is, Mr. Chairman, that the law says that we use the index of cost of production and for those commodities with the cost going up the fastest, that would escalate the targets more rapidly than it would for those with the cost rising more slowly.

Senator BELLMON. Unless you built in a profit this would not be any more attractive to the producer. If his costs were high, he would

be less inclined to grow those crops than he would to grow a crop with a lower cost.

Mr. AHALT. Well, I believe that he would be inclined to produce those crops in which the target was rising the fastest.

Senator BELLMON. Even if his costs were also rising at the same rate? It would seem to me it would cancel each other out.

If your target price, based upon cost, was accurate, there would be no incentive to grow one more than the other.

Mr. AHALT. He would shift to those where the target is rising the fastest because that would affect his expected income.

Senator BELLMON. I think you are missing the point.

If the target reflects his cost of production, if the costs rise and the target rises, he would not get any more income, any more net income, than he would if he continued growing the other less costly commodities.

I do not understand what you are saying. You are saying that just because the target price is, say, high for wheat, the farmers might shift over to wheat even though it costs them more to grow wheat and their net profit would be the same.

Mr. AHALT. I am saying that he would shift where those targets are going up the fastest because they would imply a lower income involved than where those targets were rising relatively slowly.

Senator BELLMON. Even if the costs of production were also rising?

Mr. AHALT. Even if the costs of production were also rising, yes, sir. Jim, do you want to comment on that?

Mr. VERMEER. I might state it a little differently.

If he is now producing a given mix of crops and the cost of one would go up faster than the other, he would continue to produce the one where the cost is going up because there would be no incentive to shift to something else.

Suppose he is only producing wheat and grain sorghum and the price of wheat goes up faster. The market would indicate he shift out of wheat into sorghum, but if the target is going up faster for wheat he will stay with wheat.

I think that is more the point; that he would shift to something with a higher cost rather than getting out of it.

Mr. AHALT. Whereas the market might dictate that he would be better off making that move.

Senator BELLMON. These target prices are well below the market price now.

Mr. AHALT. That is correct.

Senator BELLMON. And they would continue to be under the terms of this bill and, therefore, I doubt anyone would grow more for the market than the target.

Mr. AHALT. I think that is right certainly for 1976, Mr. Chairman, and I hope it is right for 1977. Farmers do grow for the market.

But, the target price concept, which means that he is guaranteed a kind of income, deficiency income level, could distort that market incentive.

Senator BELLMON. How is that different than the system that you are using now?

Do you not get precisely the same result under this system?

Mr. AHALT. No, sir.

That system adjusts each target for each crop the same way subject to whatever adjustments you make for the yield adjustment.

In other words, it is like an overall escalator.

Senator BELLMON. Now, the cost of feeder livestock is the same whether you are raising soybeans or feed grain or wheat or whatever, the cost of motor supplies, motor vehicles, all the rest of it.

Mr. AHALT. Well, Mr. Chairman, I do not refer to those as costs. Those are actually the prices that you pay for those items.

Senator BELLMON. Which become costs to the producer.

Mr. AHALT. Yes, but depending on what you are producing and where you are can affect your cost.

Senator BELLMON. It is the same if you use the terms of the bill we are talking about.

Mr. AHALT. But, the bill looks at the specific cost, as I understand it. The bill asks for estimating the cost of producing specific commodities, which has in it this part that you have in front of you here, it has in it the implied cost of the input, as well as the implied number of inputs used to produce the particular commodity. So that, a cost of production looks at both price and quantity of inputs. This has a fixed weight for the quantity involved.

Senator BELLMON. But your fixed weights are so warped.

For instance, you only allow 6 percent for the cost of fertilizer on the chart here. It has no relationship to the actual expense.

I know, for instance, on my farm that my fertilizer costs are about 40 percent of my total costs and I think mine is fairly typical. In fact, probably in some areas it might be higher.

So, you are using 6 percent. The fact that you use these component indexes and come over and give such distorted weights makes this system you are using now practically of no relevance.

Mr. AHALT. Well, that system is out of date, as you point out, Mr. Chairman.

Senator BELLMON. You have another thing in here for insecticides and herbicides.

Mr. AHALT. It will be updated next year.

Senator BELLMON. Why wait so long?

Mr. AHALT. Well, I have asked the same question, Mr. Chairman.

Again, it relates to the difficulty in getting the kind of information required.

Senator BELLMON. I want to get to that point. I absolutely disagree with you about how hard it is to get.

We undertook in connection with our efforts to write a new farm bill to get this information this year. We had it within 2 weeks.

All you have to do is go to the Extension Service which keeps the records for large numbers of producers of every commodity in every State and they freely make the information available. They do not tell you which producer it came from, but they can tell you what it is costing a farmer to grow wheat. They show you how much it costs for fuel and fertilizer and labor and repairs and insecticides and herbicides.

It is easily available. I can get it to you within a week from any State you mention.

Mr. AHALT. Well, I appreciate that and we may have to take you up on that, Mr. Chairman, because I can tell you that the survey

information that is in the preliminary information that we are getting the cost of production, which we are required to do in the 1973 act, that information——

Senator BELLMON. That is this information.

Mr. AHALT. No, sir. That is cost of production data that we are required to get under the 1973 act. It is cost of production by specific enterprises. That information we are still working on in getting the 1974 costs together.

Senator BELLMON. How are you trying to get it?

Mr. AHALT. We have surveyed farmers. I do not know how many.

Mr. VERMEER. About 6,000.

Mr. AHALT. 6,000 farmers throughout the United States.

Senator BELLMON. You have not gone to the Extension Service?

Mr. AHALT. I cannot speak to whether we have worked with them.

Mr. VERMEER. We have consulted with them, but not used their figures directly.

Senator BELLMON. Why not?

Mr. VERMEER. Because in almost every State the Extension Service has a different method of keeping their records and they are not comparable from one State to another.

Senator BELLMON. They are all more or less part of the USDA.

Why can you not give them a standard system of keeping records?

Mr. AHALT. Well, I think their part of the USDA does not give us authority to dictate how they collect the cost of production information, Mr. Chairman.

Also the Extension Service is partly a State activity.

Senator BELLMON. I am aware of that.

You still put a lot of money in it. If you say this is the way we want you to collect cost of production, I am sure you would not get any resistance from them.

Mr. AHALT. I am sure we would, Mr. Chairman.

With the cost of production concept you get into arguments with the accountants. You have problems with economic concepts on how you calculate these things.

Senator BELLMON. Obviously somebody has to make a decision as to how we are going to go at this.

The law plainly says get the information and sooner or later you are going to have to do it and when you do you are going to have to say this is the way we want the information gathered.

Mr. AHALT. That is what we were doing.

As I said, cost of production studies, people have been conducting them for probably 100 years.

Senator BELLMON. Well, fine.

Mr. AHALT. But, they have not resolved these problems that we are wrestling with today.

Senator BELLMON. I do not think you have tried. That is the point.

This information you are using is totally warped. It is of no value.

It seems like you do not want to pick up your feet and do better. You keep saying it is going to take 2 years and we know it is not.

Many on this committee had information from our States which we got with no trouble at all.

Mr. AHALT. Well, all I can tell you, Mr. Chairman, is that it is much more difficult when you have the responsibility to pull together a

total universe survey that will stand up under close scrutiny than it is to talk to a farmer and get it from a particular area.

Senator BELLMON. Well now, obviously this would not stand up under any kind of scrutiny.

Mr. AHALT. It has stood the test of time, Mr. Chairman.

Senator BELLMON. You are telling me that 6 percent is all the cost of production that needs to be attributed to fertilizer and this withstood the test of time?

You just got through saying you recognized it has little value.

Mr. AHALT. It represented the cost in the time when the survey was conducted.

Senator BELLMON. When was that?

Mr. AHALT. Twenty years ago.

Senator BELLMON. That is great; is it not? It takes you 20 years to recognize the fact that agriculture has changed.

Mr. AHALT. It would not have taken us 20 years, if we had the funds to conduct a survey earlier, Mr. Chairman.

Senator BELLMON. So, what you are saying is all you need is more money and you will do it properly?

Mr. AHALT. Well, it is not that simple.

Senator BELLMON. Well now, you were able to get this information at one time.

Mr. AHALT. We were with the largest survey ever taken, to my knowledge, on the 1955 survey of cost of production. If I recall, it was probably the most comprehensive survey ever made on the cost of inputs used in agriculture. We have never had the resources nor the funds, to my knowledge, to repeat that program.

Senator BELLMON. I think perhaps you speak more as a scientist—I do not know if you call an economist a scientist or not—than you do a practical person.

I am not sure that the Congress is interested in you getting down to the fourth decimal place in these cost studies. We would like to have accurate information based upon realistic components and realistic weighing.

For you to say that this is perfectly accurate, and you mentioned the number 6,000 samples, most of us, for instance, when we run for office, we are lucky if we can get a survey with 1,000 samples in a given circumstance. I do not know why you feel that you have to be so precise.

How narrow will be your margin of error if you go ahead the way you are starting out?

Mr. AHALT. It will probably be very high.

Senator BELLMON. The error will be pretty high?

Mr. AHALT. Reasonably high.

In other words, even with that large a sample farmers, different farmers, operate differently in different parts of the country. Wheat in Oklahoma is different from wheat in Senator Young's area.

Senator BELLMON. We realize that.

Mr. AHALT. We have to bring this together and use sound statistical enumeration and computation techniques in order to make sense out of what we are trying to do.

Senator YOUNG. Mr. Chairman, I have to go over to Appropriations and help make a quorum. I think maybe you need to go, too.

Could you not take the average of extension figures for the various States and come up with a pretty good figure?

I realize it would be quite a bit higher than your own figures. It might not be as helpful.

Senator BELLMON. It might be lower because I would assume those producers using the Extension Service are the most progressive.

Senator YOUNG. And more up to date.

Senator BELLMON. Right.

I would think you would get it lower.

If you are interested in holding targets down, you could use those figures and probably get a lower cost than you could if you tried to sample the less efficient producers as well.

Senator YOUNG. I received some figures recently that are interesting. In the Red River Valley of North Dakota, part of which is drowned out completely, almost every farmer said, and I think rightfully so, that they already had over \$100 an acre in that land and half of the seeding is now flooded.

Thank you.

Senator BELLMON. Senator Young and I both have an Appropriation Committee meeting.

But, let me ask you one question very quickly.

I would like to know whether or not the USDA would support just striking the three items, feed, feeder livestock, building and fencing materials, from the component indexes and giving fertilizer and more realistic weight and adding insecticides and herbicides as a cost?

That should not be any problem at all.

Mr. AHALT. Well, the first part is not a problem, but the last two will be a problem until we get the updated index worked up, Mr. Chairman.

In other words, you can take out the feed, the feeder livestock, and the building and fencing materials. You can take these items out and recompute the index. By definition, that will increase the weights of the items that are in there. We can do that.

But, the legislation would still have to be changed. We could not add in, however, to that old theory. We could not raise the weight of fertilizer nor could we add in the insecticide until we get this new index weight worked up, which we have targeted to be completed next year.

Senator BELLMON. Are you using the same components in your new study?

Mr. AHALT. I believe there are some differences.

Mr. VERMEER. There are some differences.

Mr. AHALT. Mr. Chairman, I cannot speak to them.

We have, however, put that out for public comment. Again, there are a lot of interests involved, so we have asked people to give us suggestions as to what the groupings should be.

Senator BELLMON. I would like to take just another mement.

Your comment that there is something in these bills that would take out the price incentive, I think, totally misses the point.

The purpose Congress had in writing this new farm program, which includes the target price concept, and Senator Young and I probably more than anyone else are responsible for that bill, the first purpose was to provide an incentive toward full production because at the

present time it costs such a lot of money to buy fertilizer and fuel and get a crop in the ground and so many farmers must borrow money to do this and unless the banker, the PCA's, have some assurance that he is at least going to get back the cost of his production, it is hard to get financing. But, the second purpose, and even more important, is to sort of make a partnership between the USDA and the farmers because we realize that farm prosperity heavily depends on the level of export and if we had a situation where when the administration cuts off exports, as it has now done, that they are likely to run the prices down as happened particularly last October when they cut off the exports to Russia. Then this would, in effect, increase the cost to the Treasury of our target price program. We probably would have a more aggressive marketing activity on the part of the United States and the administration.

We were not in anyway trying to take out the price incentive. What we were trying to do is give some stability to agricultural commodities, both by assuring the farmers would get back the cost of production and the Government would be a partner and not an opponent as it has often been in these export market activities.

When we have a system like this, which gives us such a totally warped and, frankly, unfavorable cost of production result, then the whole purpose of the target price concept has been undermined.

If it takes you until next year to get new information, perhaps we can wait that long, but if it is going to be information based upon the same very badly distorted cost components it is not going to help us at all.

Could you not give us some kind of a formula as to what you are using now?

Mr. AHALT. Yes, sir. We can send it up.

There has been prepared a list that will show the categories that will be included.

Senator BELLMON. And the weights?

Mr. AHALT. Well, that is the big part of the job; working up the weights. As soon as they are available, however, I will see that they are made available to you.

In the meantime, I can send up the categories.

Senator BELLMON. When will the weights be available?

Mr. AHALT. Well, it is sometime in 1976, Mr. Chairman. I do not have the exact date, but a target has been established. The time has been set to release them.

Senator BELLMON. When was the data upon which these weights will be set established?

Mr. AHALT. In the early 1970's.

Mr. VERMEER. 1971.

Mr. AHALT. 1971, yes.

Senator BELLMON. It is 5 years stale.

Mr. AHALT. Yes, sir.

Senator BELLMON. Is that necessary?

Mr. AHALT. It is the best we can do given the resources we have, Mr. Chairman.

Senator BELLMON. You do not consider the Extension Service recordkeeping programs a resource?

Mr. AHALT. I am sure they are a resource and that they are useful but I do not think they can stand up under—in other words, I do not think they are statistically sound. I do not think you can bring them altogether. You would be averaging together different kinds of techniques in different areas.

Senator BELLMON. Have you really looked at them to see?

Mr. AHALT. I have not personally, but I am sure our people have, and I would be prepared to comment on those for you. I would be willing to supply something for the record on the problems associated with that information.

Mr. VERMEER. I think it was last spring they were used.

Mr. AHALT. We addressed the differences then.

Mr. VERMEER. Yes. We addressed some of the problems with using State data. There was a report to the committee on that.

Senator BELLMON. Could you get a copy of that?

Mr. AHALT. We will see that we get that up to you, Mr. Chairman. [The information referred to follows:]

COSTS OF PRODUCTION

Costs of production may vary widely from farm to farm within an area and between areas. Different wage rates and prices paid for fuel, fertilizer, machinery, other inputs and land contribute to variations in production. Yield variations cause differences in costs per unit of production.

Attached are some alternative estimates of costs for producing wheat, corn, soybeans and cotton in selected production areas. The alternative estimates include those of ERS and other sources including estimates from State extension specialists which could be delineated in some detail by referencing published material. They primarily relate to different production areas having different yields and other specified cost differences.

ERS estimates were obtained from surveys and secondary sources. Data for variable costs, depreciation and overhead charges were updated to reflect changes in prices paid since the original data were obtained. Machinery depreciation was allocated according to the proportion of total use on a specific crop. Overhead costs were generally allocated according to the proportion of the gross farm income from the enterprise, or by other methods if these appeared to be more logical.

Land charges were estimated by multiplying specified land values by current interest rates. However, after three decades of rising land values, this method may overstate land charges. Data are not available to indicate when present owners acquired their land or how much they paid for it. The recent rise in land values associated with the increased farm income of recent years is reflected in attached materials.

Costs per unit of production are obtained by dividing costs per acre by appropriate yields. Yields used in ERS unit cost estimates are based on historical crop yield trends in the selected areas.

COSTS OF PRODUCING CORN

Comparisons of these costs per acre show major differences in several categories. The largest difference is in the value of land with a value of \$500 in Missouri and \$1,350 for the Central Iowa estimates of the Iowa Corn Growers. Wage rates differ—varying from \$3.00 in Missouri to \$9.52 for Central Iowa. Paid, unpaid and operator's labor is included in all of the labor costs.

Yield differences of 35 bushels will account for a large part of the differences. Estimates of the quantity of materials applied and the costs per unit of the material both vary considerably. In general, the Central Iowa charges are higher than any of the other three sets of data. Some of these differences can be attributed to different locations, soil and climate.

CORN

	ERS, northern Indiana	Corn growers, central Iowa	Iowa State	University of Missouri
Field (bushels per acre).....	108	125	110	90
Materials:				
Seed cost.....	\$6.11	\$10.86	\$13.00	\$9.00
Fertilizer: Lime cost.....	\$1.12	\$3.93		\$2.50
Nitrogen:				
Quantity, pounds.....	100	135	140	
Price per pound.....	\$0.17	\$0.195	\$0.25	
Cost.....	\$16.64	\$26.32	\$35.00	\$27.00
P ₂ O ₅ :				
Quantity, pounds.....	54	60	60	
Price per pound.....	\$0.24	\$0.24	\$0.23	
Cost.....	\$12.87	\$14.40	\$13.80	\$12.00
K ₂ O:				
Quantity, pounds.....	58	60	60	
Price per pound.....	\$0.08	\$0.08	\$0.09	
Cost.....	\$4.91	\$4.80	\$5.40	\$6.00
Herbicides, insecticides: Cost.....	\$5.85	\$17.20	\$13.50	\$8.00
Machinery cost.....	\$44.93	\$71.99	\$44.87	\$31.50
Operating costs.....	(\$33.05)	*((\$34.38)	(\$17.63)	(\$13.50)
Overhead and taxes.....	\$17.64	\$16.60	\$5.20	\$17.00
Land charge:				
Value per acre.....	\$900.00	\$1,350.00	\$900.00	\$500.00
Interest charge (percent).....	8	8.5	7.5	9
Cost.....	\$72.00	\$114.75	\$67.50	\$45.00
Labor charge:				
Wage rate.....	\$2.25	\$9.52	\$3.50	\$3.00
Hours.....	5.00	2.04	3.89	6.00
Cost.....	\$11.25	\$19.42	\$13.62	\$18.00
Total cost per acre.....	\$193.32	\$300.27	\$211.89	\$176.00
Total cost per bushel.....	\$1.79	\$2.40	\$1.93	\$1.96

* Estimate.

COSTS OF PRODUCING WHEAT

These three budgets represent different cropping practices. The Missouri wheat is produced on land following a crop. The Kansas and Oregon wheat represent a cropping practice of wheat after fallow—the land charge is for two acres.

Oregon machinery costs include a depreciation computed on the replacement cost of the machines—not on the purchase price as is the common practice.

Land values for the Kansas and Oregon budgets are less than the November 1, 1974, estimate of the Economic Research Service while the Missouri value is considerably higher than ERS estimates.

The Oregon Taxes, Overhead and Insurance includes a specific charge of \$8.80 for "Marketing Charges". A "Management Charge" is also included by Oregon.

WHEAT

	Red Winter Wheat		
	ERS central Kansas	Missouri	Oregon White Wheat
Yield (bushels per acre).....	33.3	35	32
Materials:			
Seed quantity (pounds).....	60		55
Price per pound.....	\$0.077		\$0.103
Cost.....	\$4.60	\$8.00	\$5.66
Fertilizer: Lime.....		\$2.50	
Nitrogen:			
Quantity (pounds).....	48		30
Price per pound.....	\$0.22		\$0.21
Cost.....	\$10.41	\$14.00	\$6.30
P ₂ O ₅ :			
Quantity (pounds).....	27		
Price per pound.....	\$0.29		
Cost.....	\$7.88	\$8.00	
K ₂ O:			
Quantity.....			
Price.....			
Cost.....		\$3.00	
Herbicides, insecticides, etc.....	\$0.04		\$6.35
Machinery cost.....	\$19.02	\$22.50	\$31.21
Operating costs.....	(\$7.03)	(\$9.00)	(\$9.04)
Taxes, overhead and insurance.....	\$4.33	\$9.50	\$25.49
Land charge:			
Value per acre.....	\$200.00	\$500.00	\$200.00
Interest charge (percent).....	8	9	8.5
Charge per acre.....	\$32.00	\$45.00	\$34.00
Labor charge:			
Wage rate.....	\$2.25	\$3.00	\$5.00
Hours.....	2.2	3.5	1.687
Cost.....	\$4.97	\$10.50	\$8.44
Management.....			4.50
Total cost per acre.....	\$83.25	\$123.00	\$121.95
Total cost per bushel.....	\$2.50	\$3.51	\$3.81

SOYBEAN PRODUCTION COSTS

Assumptions for these figures have charged a return to land investment at 8 percent of the estimated current market value of land. The large differences in the cost per acre are related to land charge and the fertilizer applied in Indiana.

However, differences in yield per acre remove these differences when computing the costs per bushel. Yields represent the five year average of yields for the area for the years 1970 to 1974.

SOYBEAN PRODUCTION COSTS PER ACRE, 1975

	ERS estimates (dollars)	
	Mississippi delta	Northern Indiana
Yield (bushels).....	22.4	30.6
Materials:		
Seed rate.....	66.00	60.00
Seed cost.....	11.02	8.40
Fertilizer:		
Pounds P ₂ O ₅ =35.....		7.70
Pounds K ₂ O=55.....		4.13
Herbicides and insecticides.....	11.32	9.00
Machinery:		
Cost.....	33.72	32.06
Operating.....	(19.16)	(14.00)
Overhead and taxes.....	13.44	18.36
Land charge:		
Land value per acre.....	500.00	900.00
Interest charge at 8 percent.....	40.00	72.00
Labor cost at \$2.25 per hour.....	9.00	9.00
Total cost per acre.....	118.50	160.65
Total cost per bushel.....	5.29	5.25

AN EXPLANATORY NOTE ON COSTS OF PRODUCING UPLAND COTTON

The cost data in the attached tables are based chiefly on extrapolations from farm survey data for the 1972 crop year. The yield of 600 pounds is based on a projection of recent-year trends. The land charge is based on a cropland value of \$600 per acre and 8 percent rate of return on this value.

Machinery costs were allocated to cotton in proportion to the use of those machines on cotton relative to total farm use. General farm overhead costs including taxes, were allocated to cotton in proportion to receipts from cotton relative to total farm receipts from all enterprises. The labor cost includes both hired and unpaid family and operator labor used on the cotton enterprise. Unpaid labor was valued at hired wage rates. Hired management is included as a labor cost; however, no return to the operator's management is included as a cost in this table. The cost item called "custom hired services" includes both labor and machinery components and is chiefly comprised of insecticide application and mechanical harvesting.

Obviously, the resulting levels of cost per acre and per unit of production are based on several necessary assumptions, not the least of which are the land charge, the method of allocating overhead costs, the yield assumed, and the procedure in accounting for byproducts or joint products. The cost of producing both lint and seed in the Delta was estimated to be about \$293 per acre. The cost of producing lint only was derived by subtracting the estimated value of seed from total costs, resulting in a total lint cost of \$245. The latter, when divided by the yield of 600 pounds, results in a total cost of producing lint of 40.8 cents per pound.

Cotton production costs per acre, Mississippi Delta area, 1975

	[Yield, 600 pounds lint]	<i>ERS estimate</i>
Materials:		
Seed.....	-----	\$5.80
Fertilizer.....	-----	20.00
Lbs. N=64.		
Lbs. P ₂ O ₅ =36.		
Lbs. K ₂ O=26.		
Herbicides.....	-----	15.10
Insecticides.....	-----	14.35
Defoliants.....	-----	2.70
Other chemicals.....	-----	.60
Machinery cost.....	-----	75.00
Operating cost.....	-----	36.45
Depreciation and interest.....	-----	38.55
Overhead and taxes.....	-----	15.00
Land charge (\$600 per acre at 8 percent).....	-----	48.00
Labor cost (15.8 hours times \$2.25 per hour).....	-----	35.56
Ginning.....	-----	37.50
Custom hired services.....	-----	18.50
Interest on operating capital.....	-----	4.75
Total cost per acre.....	-----	292.86
Less value of seed.....	-----	-48.00
Total cost of producing lint.....	-----	244.86
Total cost per pound of lint.....	-----	.408

Farm real estate values, November 1974

	[Average value per acre, by selected States]	<i>Value</i>
State:		
Indiana.....	-----	\$711
Iowa.....	-----	740
Kansas.....	-----	299
Mississippi.....	-----	368
Missouri.....	-----	394
Oregon.....	-----	247

Senator BELLMON. Now then, just to conclude here, we have agreed that you can and will take out the components feed, feeder livestock, and building and fencing material.

Mr. AHALT. Well, we have agreed that we can.

I have said on the record here that it makes some sense, but I will have to go back and discuss this with the people that are involved. But, before anything can be done the legislation would have to be changed before it could be used.

Senator BELLMON. Now, I think we are all in agreement that at the moment that all prices are well above target level, that there is really no emergency, but I think we would all agree that about a year from now if we have a good crop in this country and if the Russians have a good crop and if there are no problems in Asia, that we might face some very serious surpluses, which would produce a sharp decline in market prices and if that happens, the obvious result is that producers will then either be unable or unwilling to go all out to produce for the crop year 1977 and that is when our problem is going to come.

Mr. AHALT. Well, Mr Chairman, potentially that is right. I hope it does not come, but potentially there is that concern out there.

The future market looks reasonably good for producers really in terms of their planning for the 1976 crops.

Senator BELLMON. That is right.

Mr. AHALT. But, what happens beyond then is very uncertain.

Senator BELLMON. So, it seems to be we have this period of time to get our house in order as far as the target concept is concerned.

Mr. AHALT. Yes, sir.

Senator BELLMON. Do you feel we are going to be able to do that the way we are going now?

Mr. AHALT. Well, I believe that we will have the information that we can look at and discuss and I believe, Mr. Chairman, that this information will lay to rest some of your concerns about this data being out of date and the fact that the weights reflect an earlier period in time.

Now, I think it will do those things.

Senator BELLMON. As I recall, this law requires the Department to get that information and keep it current.

Is that true?

Mr. AHALT. This is the cost of production information?

Senator BELLMON. Yes.

Mr. AHALT. Yes, sir.

I believe we will be required to collect that each year.

Is that right?

Mr. VERMEER. At least.

Senator BELLMON. It says the study shall be updated annually and shall include all typical variable costs.

Mr. AHALT. Yes, sir.

Senator BELLMON. Once you get this present study completed you will be in a position to keep it updated on an annual basis?

Mr. AHALT. Yes, sir.

Senator BELLMON. Well, I will be very interested in seeing the component index items you are using and the weighting list, if it is available.

So, if you would furnish it to the committee, we would appreciate it.

Mr. AHALT. We will be glad to do it, Mr. Chairman.
[The information referred to follows:]

Current and Proposed Groupings for Modified Indexes of Prices Paid by Farmers for Production Commodities With Approximate Importance

Current Groupings		Proposed Grouping	Approx. % of 1971 Expenditures
FERTILIZER & LIMESTONE	Fertilizer →	FERTILIZER Chemical Fertilizers - Straight & Mixed Goods	5.7
	Limestone →		
FARM SUPPLIES	Farm Chemicals →	AGRICULTURAL CHEMICALS Pesticides, Herbicides, Soil Conditioners	2.5
	Farm Supplies →		
MOTOR SUPPLIES	Electricity →	FARM AND MOTOR SUPPLIES Tools, Marketing Contain- ers, Lubricants, Tires, etc.	4.5
	Motor Supplies →		
	Motor Fuels →	FUELS AND ENERGY Gasoline, Diesel Fuel, L.P. Gas, Coal, and Electricity	4.9
MOTOR VEHICLES	Autos + Trucks →	AUTOS AND TRUCKS New and Used Autos and Trucks	2.4
	Tractors →	TRACTORS & SELF PROPELLED MACHINERY Tractors, Self Propelled Combines, Self Propelled Windrowers, etc.	3.6
FARM MACHINERY	Self-Propelled →		
	other →	OTHER MACHINERY & IMPL- MENTS Plows, Cultivators, Mowers, Grain Augers, Wagons, etc.	4.3

Senator BELLMON. Any other questions to be raised?
Gentlemen, thank you very much.

Mr. AHALT. Thank you, Mr. Chairman.

[The prepared statement of Mr. Ahalt follows:]

STATEMENT OF J. DAWSON AHALT, STAFF ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and members of the Committee, I am pleased to have the opportunity to explain the Department's position regarding S. 1857 and S. 1858, two bills designed to change the method for adjusting target prices.

In our legislative report we stated that we were opposed to the enactment of these bills. This morning I should like to amplify our reasons.

The Agriculture and Consumer Protection Act of 1973 established target prices based on cost-price relationships that existed prior to that time. The Act specified the target levels for 1974 and 1975. However, in order to keep targets in line with costs the Act required that beginning with the 1976 crops, an escalator would be

used based on the index of prices paid by farmers for production items, interest, taxes, and wages modified by changes in yields. Unfortunately at the time the legislation was passed, it was not foreseen that costs for some production items would rise sharply. On the other hand, prices for farm products during this period also advanced significantly, boosting net farm income for the 1973-75 period to the highest 3-year average level on record. Moreover, these income gains were earned solely in the marketplace without deficiency payments from the Treasury.

In regard to calculations of the targets as specified in the Act, prices paid for feed, replacement livestock, and fences and building materials weigh heavily in the index used in the adjustment process. However, prices paid for these items are largely unrelated to the costs of producing wheat, feed grain, and cotton. Therefore the search for a more desirable alternative is understandable. But the use of an index of the cost of production of each commodity as the basis for adjusting its target price would not be an improvement.

Our principal concern relates to the fact that use of commodity-specific indexes for adjusting target prices would cause target prices to rise the fastest. As a result, public funds would be used to encourage production of crops with the highest costs, whereas market price relationships would suggest that for efficient allocation of scarce resources, production of the higher cost commodities should be reduced.

Without the discipline of the possibility of lower prices, production costs would rise because of the absence of pressures that otherwise would encourage efficient production practices. If prices rise to cover rising costs, there would be less incentive for producers to discontinue inefficient practices. Thus, costs would continue to rise and in turn cause target prices to rise in a never-ending upward spiral of prices and costs.

Moreover, the use of cost of production data to adjust target prices could be done only with a considerable lag between the period to which the costs apply and the period for which target prices would be applicable. Although preliminary estimates of production cost could be made in advance, production costs based on annual surveys would be necessary to substantiate any preliminary estimates. Such surveys would have to be updated after the crop had been harvested, and several months would lapse before the date could be summarized. Thus, it would be impossible to announce a final target price before the beginning of the planting season.

Preliminary estimates of target prices in 1976 and 1977 under current legislation and as proposed by S. 1857 and comparisons with 1975 target prices are as follows:

Crop (unit)	Target prices				
	Estimated for 1976			Estimated for 1977	
	1975	Current legislation	S. 1857	Current legislation	S. 1857
Wheat (dollars per bushel).....	2.05	2.27	2.68	2.35	2.78
Corn (dollars per bushel).....	1.38	1.57	1.68	1.64	1.76
Cotton (cents per pound).....	38.0	42.15	46.07	45.21	50.24

We anticipate that market prices in 1976 will continue above target level whether the target prices for 1976 are adjusted according to current legislation or by the method proposed in S. 1857. However, target prices would be substantially higher under procedures proposed in S. 1857. Beyond 1976, it is difficult to speculate on price and cost levels. However, it would appear that over the near term target levels would be higher using procedures calculated under S. 1857. Hence, if market prices were to ease, outlays for deficiency payments would be substantially larger than under existing legislation. With the higher targets disaster payments would also be increased.

While the Administration opposes this bill, I do not want to give an impression that we would not be responsive if market conditions were to deteriorate. The President last spring indicated that if unforeseen weakness in farm product prices were to develop, he would direct the Secretary of Agriculture to raise loan rates. This commitment still stands. However, at this juncture we are becoming increasingly confident that the supply-demand conditions for 1975/76 point to a reasonably good income year for farmers.

You can be sure that the Department will stay closely attuned to economic conditions in agriculture both in the U.S. and the rest of the world in coming months.

TABLE 1.—PRICES OF SELECTED PRODUCTION COST ITEMS: 1971 TO 1974, PRELIMINARY 1975

[Index 1910-14=100]

Item:	1971	1972	1973	1974	Preliminar 1975
Motor supplies	202	206	220	292	325
Motor vehicles	607	634	671	759	905
Farm machinery	573	614	664	769	970
Fertilizer	155	158	176	299	363
Farm supplies	303	314	330	409	480
Seed	282	302	388	531	565
Wage rates	1, 139	1, 205	1, 313	1, 454	1, 620
Index of prices paid for production items, interest, taxes, and wage rates	430	455	533	620	675

[Whereupon, at 10:40 a.m., the Senate Committee on Agriculture and Forestry, Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices adjourned.]

○