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REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES



New Approach Needed To Control Production Of Major Crops If Surpluses Again Occur

Department of Agriculture

During the 1971-73 crop years, the Commodity Credit Corporation paid farmers \$7.6 billion to set aside, or not farm, cropland. This was to prevent excessive supplies of wheat, feed grains, and cotton from accumulating. This was only partly effective in reducing production primarily because some cropland, which would have been set aside anyway as a normal farming practice--summer fallow--was allowed by the Department of Agriculture to qualify for Federal payment. About \$800 million was paid for setting aside wheat land that would not have been farmed anyway.

Because stocks of major crops could again become excessive, the Secretary of Agriculture should develop a legislative and administrative proposal, considering the summer fallow practice, to control production of crops that may become too plentiful.

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APRIL 25, 1977



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the need for a new approach for controlling production of major crops if surpluses again occur. The report illustrates that much of the Federal payments for the wheat cropland set-aside programs did not result in reducing planted acreage below the level that would have been planted in the absence of the programs.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Agriculture.

A handwritten signature in black ink, reading "Thomas A. Staib".

Comptroller General
of the United States

D I G E S T

The Commodity Credit Corporation, Department of Agriculture, paid farmers \$7.6 billion during the 1971-73 crop years to set aside, or not farm, cropland. This was done to prevent excessive supplies of certain agricultural commodities from accumulating. 46-C-80250

The Government halted the set-aside programs after the 1973 crop year and called for all-out production. The number of additional acres subsequently farmed, however, fell far short of the number of acres for which the Corporation had made set-aside payments. (See p. 1.)

In 1972 when the Government paid farmers to set aside 59 million acres, 295 million acres were planted with feed grains, wheat, cotton, soybeans, rice, and other principal crops. In 1975, after the Secretary of Agriculture had asked for all-out agricultural production, planted cropland totaled 333 million acres --only 38 million acres more than in 1972. Because this was far short of the 59 million acres, the obvious question arose: Was the difference of about 21 million acres "phantom" acreage? In other words, had the Government paid millions of dollars for the withdrawal from production of acreage that did not really exist? (See p. 5.)

The 21 million acres existed, but this amount was not returned to production primarily because of a cropland rotation pattern followed by farmers in dryland areas of the Nation. In these areas, farmers normally set aside a portion of their cropland for a year (place it in summer fallow) to accumulate moisture. The following year, they farm this cropland and place another portion in summer fallow. The Department allowed fallow cropland to qualify for set-aside payments. (See p. 6.)

This offsetting annual rotation pattern is the major reason why the planted acreage did not increase to the extent of the decrease in set-aside acreage between 1972 and 1975. (See p. 8.)

Smaller portions of the 21 million acres represented cropland that had been retained in pasture for grazing after the set-aside programs ended or that had been converted to industrial, urban, or highway uses. (See pp. 10 and 11.)

Set-aside payments for cropland in summer fallow occurred primarily in the wheat programs, because wheat is the most widely grown crop in the Nation's summer fallow areas. About \$800 million of the total wheat set-aside payments (\$1.8 billion for the 3 years) did not result in reducing planted acreage below the level that would have been planted in the absence of the programs. According to agricultural economists, the problem for the feed grain and cotton programs was not as great as that for the wheat programs, because feed grains and cotton are not as widely grown in summer fallow areas. (See p. 13.)

The Department disagreed with the \$800 million figure. It said that one of the functions of the set-aside programs was to bolster farm income and that a major portion of the \$800 million would have been paid as an income supplement in some other way. While some income supplement may have been intended, the fact remains that, because the summer fallow cropland would have been idle anyway, none of the estimated \$800 million resulted in reducing planted acreage below the level that would have been planted in the programs' absence. (See p. 14.)

Surpluses of the Nation's major crops could build up again. For example, the Department of Agriculture estimates the 1976 wheat crop at a record high of 2.15 billion bushels. This, plus the carryover of 0.7 billion bushels from the previous marketing year, less a projected disposition of 1.7 billion bushels, would result in an estimated

carryover of 1.1 billion bushels of wheat in 1977. Such a carryover would be the third consecutive increase and the highest since 1963. The Department expects world wheat production in 1976 to total 14.7 billion bushels, about 15 percent over the 1975 crop. (See p. 3.)

Legislative authority for the cropland set-aside programs expires with the 1977 crop. If similar authority is provided in new legislation and cropland has to be withdrawn from production in the future because of excessive agricultural supplies, appropriate adjustments should be included in the programs to avoid set-aside payments for cropland that would normally be withheld from production. Such an approach would avoid spending large sums that do not accomplish program objectives.

The Secretary of Agriculture should develop a legislative and administrative proposal, considering the summer fallow factor, to control production of major crops that may become too plentiful. (See p. 15.)

In its comments (see app. II), the Department agreed with GAO's conclusions concerning the 21 million unfarmed acres and acknowledged that, for production adjustment purposes, the set-aside acreage requirements were not fully effective. The Department said it was anxious to work with the Congress during consideration of new agricultural legislation to develop more effective methods to be used if it again becomes desirable to reduce planted acreage in a given crop or crops. (See pp. 15 and 19.)

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ABBREVIATIONS

ASCS	Agricultural Stabilization and Conservation Service
CCC	Commodity Credit Corporation
GAO	General Accounting Office

CHAPTER 1

INTRODUCTION

The Commodity Credit Corporation (CCC), Department of Agriculture, paid farmers \$7.6 billion during the 1971-73 crop years to idle--set aside--cropland to curtail excessive accumulation of certain agricultural commodities. Essentially, these production adjustment programs continued previously authorized programs to idle cropland.

The Government halted set-aside programs after the 1973 crop year and called for all-out production "to assure adequate supplies of food for domestic and export markets." However, the additional acreage subsequently put into production fell far short of the acreage for which CCC had made set-aside payments. We made this review to ascertain why more set-aside acreage had not been returned to production and if improvements could be made in determining acreage for set-aside payments should production controls again become necessary.

OPERATIONS OF 1971-73 CROPLAND SET-ASIDE PROGRAMS

The Agricultural Act of 1970 (84 Stat. 1358), as amended by the Agriculture and Consumer Protection Act of 1973 (87 Stat. 221), authorizes the Secretary of Agriculture to conduct, through CCC, set-aside programs on the 1971 through 1977 crops of wheat, feed grains, and upland cotton if he determines that the supply of such commodities would otherwise be excessive. If a set-aside program is in effect for a commodity, producers must set aside specified cropland acreages for approved conservation uses. This is an eligibility condition for CCC price-support loans, purchases, and commodity payments.

The act does not require a limit on the acreage of any particular crop. Acreage controls on individual crops are permissive. Under the 1971-73 programs, farmers were generally allowed to grow whatever they wished on their remaining cropland after complying with set-aside and other conservation requirements.

The acreage set aside had to be in addition to a farm's conserving base--the average number of acres that in 1959 and 1960 had been applied to conserving uses, such as cover grasses, or left idle. Generally, cropland set aside had to be at least equal in productivity to the

average productivity of other cropland on the farm and be expected to produce a crop in the absence of a program.

Each commodity program had its individual set-aside acreage and payment basis; these varied from year to year. For instance, the 1972 feed grain set-aside acreage was 25 percent of the feed grain base (average feed grain acreage on the farm during 1959 and 1960) compared with 20 percent in 1971. In 1972, payments were increased if additional acreage (up to 20 percent of the feed grain base) was set aside.

The number of acres set aside under the programs in crop years 1971, 1972, and 1973 were 34 million, 59 million, and 17 million, respectively. Set-aside payments for the 3 crop years totaled \$7.6 billion as follows.

<u>Crop</u>	<u>Crop year</u>			<u>Total</u>
	<u>1971</u>	<u>1972</u>	<u>1973</u>	
	------(000,000 omitted)-----			
Feed grains	\$1,060	\$1,865	\$1,171	\$4,096
Wheat	886	858	103	1,847
Cotton	<u>818</u>	<u>808</u>	<u>-</u>	<u>1,626</u>
Total	<u>\$2,764</u>	<u>\$3,531</u>	<u>\$1,274</u>	<u>\$7,569</u>

Most of the payments were for cropland withheld from production in

- Texas (\$991 million),
- Iowa (\$686 million),
- Illinois (\$527 million),
- Kansas (\$524 million),
- Nebraska (\$510 million),
- North Dakota (\$393 million), and
- Minnesota (\$356 million).

Appendix I summarizes payments by State and by commodity.

ADMINISTRATION OF PROGRAMS

The Agricultural Stabilization and Conservation Service (ASCS), a constituent agency of the Department of Agriculture, administers CCC's acreage set-aside and other programs nationwide through its State and county offices. Each of these offices is directed by an Agricultural Stabilization and Conservation State or county committee.

The county committees administer local operations and are comprised of (1) three farmers elected by the farmers in the county and (2) the county agricultural extension agent (ex officio). The State committees supervise the county committees and are comprised of (1) from three to five members appointed by the Secretary of Agriculture and (2) the State's director of agricultural extension services (ex officio).

POSSIBLE FUTURE NEED FOR ACREAGE CONTROLS

Production controls, although authorized by law, were not put into effect for the 1974 and subsequent crops because of a surge in demand for agricultural commodities. The Government called for all-out production to meet demand and provide for a carryover of adequate stocks to the following season.

Although a return to production controls is not necessarily imminent, there are indications that excessive stocks could occur again. For example, the Department of Agriculture estimates the 1976 wheat crop at a record high of 2.15 billion bushels, slightly above the previous record high of 2.14 billion bushels in 1975. The 1976 production plus the carryover of 0.7 billion bushels from the previous marketing year, less a projected disposition of 1.7 billion bushels, would result in an estimated carryover of 1.1 billion bushels in 1977. Such a carryover would be the third consecutive increase in wheat stocks, the highest carryover since 1963. The carryover in 1974 from the previous marketing year was 0.3 billion bushels. The Department expects world wheat production in 1976 to total 14.7 billion bushels, about 15 percent over the 1975 crop, due largely to the Soviet Union's recovery in wheat production and to Canada's record high production of 38 percent over the 1975 crop. Other countries also had larger wheat crops.

In a paper prepared for the Senate Committee on Agriculture and Forestry, 1/ an agricultural consultant said that, just as the world switched from surplus to scarcity in a very short time, it could switch back just as quickly. He also said that it appeared that this might be happening in wheat. He suggested that one of the key program elements in a national food policy was an updated standby production adjustment plan.

1/ E. A. Jaenke, A National Food Policy: Assuring Food For An Uncertain Future, printed in Farm and Food Policy, 1977, a committee print of the Committee on Agriculture and Forestry, United States Senate, Sept. 15, 1976, pages 11-34.

CHAPTER 2

REASONS PLANTED ACREAGE DID NOT INCREASE

TO EXTENT OF ACREAGE THAT HAD BEEN SET ASIDE

In 1972 when 59 million acres were set aside, 295 million acres were planted with feed grains, wheat, cotton, soybeans, rice, and other principal crops. In 1975, after the Secretary of Agriculture had asked for all-out agricultural production, the planted cropland totaled 333 million acres, an increase of 38 million acres over 1972. Because this increase was substantially short of the 59 million acres for which the Government had made set-aside payments in 1972, a question arose as to whether the difference of about 21 million acres was "phantom" acreage --whether the Government had paid millions of dollars to withdraw nonexistent acreage from production.

A summary comparing cropland data for 1972 and 1975 follows.

	<u>1972</u>	<u>1975</u>	<u>Increase or decrease (-)</u>
	-----(million acres)-----		
Planted acreage	<u>295.2</u>	<u>333.1</u>	<u>37.9</u>
Acreage withheld from production:			
Set-aside programs	58.7	-	-58.7
Acreage-diversion program (note a)	<u>3.3</u>	<u>2.4</u>	- .9
Total	<u><u>62.0</u></u>	<u><u>2.4</u></u>	<u><u>-59.6</u></u>
Difference			<u><u>-21.7</u></u>

a/Under this ASCS program, authorized by the Food and Agriculture Act of 1965 (7 U.S.C. 1838), farmers agreed in 1966 and 1967 to divert cropland for 5 to 10 years to uses that promoted the development and conservation of soil, water, forest, wildlife, and recreational resources. The last of these agreements expired in 1976.

Our review indicated that the 21 million acres existed but that this number of acres was not returned to production because the same or similar acreages either

- were purposely left idle as a normal farming practice,
- were retained in pasture for grazing purposes, or
- had been converted to industrial, urban, or highway uses.

CROPLAND IDLED AS A NORMAL FARMING PRACTICE

In dryland areas of the Nation, farmers normally idle a portion of their cropland for a year to accumulate moisture for crop production the next year. This practice is known as summer fallow. The next year the fallow cropland is returned to production and another cropland portion is placed in fallow. To illustrate the fallow practice, a farmer might place one-third of his cropland in fallow over a 3-year period on an annual rotating pattern as follows.

<u>1st year</u>	<u>2d year</u>	<u>3d year</u>									
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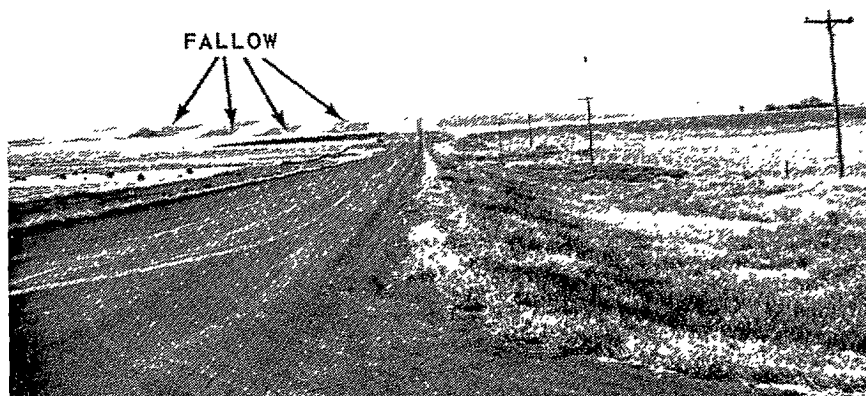
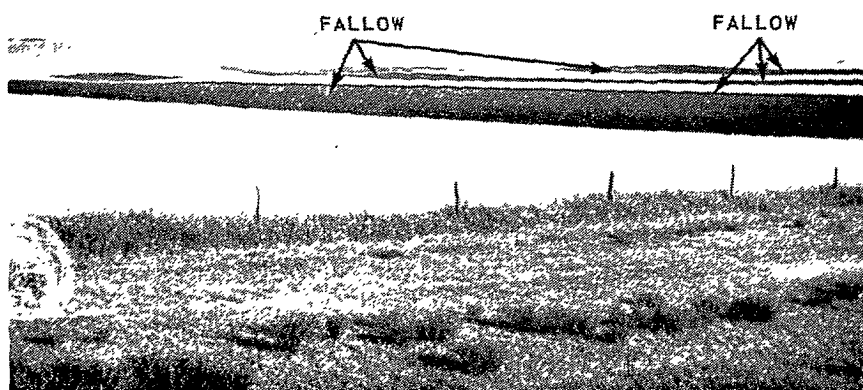
The extent of fallowing varies among farms in a county, among counties in a State, and among States. The extent depends, according to a Department publication, 1/ mostly on annual precipitation and how it affects the quantity, economy, and stability of production. Related factors include the type of soil, type of farming, kind of crops, weed control, and erosion elements.

According to a Department of Agriculture publication, 2/ low precipitation in the dryland regions of 17 western States

 1/The Yearbook of Agriculture--1957, The United States Department of Agriculture.

2/Summer Fallow in the Western United States. Conservation Research Report No. 17, Agricultural Research Service. Department of Agriculture, April 1974.

necessitates the fallow practice. Wheat is the crop most widely grown in this area, particularly on land that is alternated between summer fallow and production. The following photographs show fallow cropland (dark strips) on two North Dakota farms.



During the 1970-75 period, cropland in fallow nationwide annually ranged from about 29 million to 38 million acres. The four-State Northern Plains region--North Dakota, South Dakota, Nebraska, and Kansas--accounted for more than half the national fallow acreage as shown in the following table.

<u>Year</u>	<u>Northern Plains</u>	<u>Other regions</u>	<u>Total fallow</u>
----- (million acres) -----			
1970	20.1	17.3	37.4
1971	17.6	15.9	33.5
1972	21.0	17.2	38.2
1973	16.8	14.6	31.4
1974	14.8	13.8	28.6
1975	16.4	14.0	30.4

The Department allowed summer fallow land to be included in the set-aside programs. When the set-aside programs were discontinued, land in summer fallow under the programs went into production while other cropland was withdrawn from production and placed in summer fallow. We believe this off-setting annual rotation pattern is the major reason planted acreage did not increase to the extent of the decrease in set-aside acreage between 1972 and 1975.

The Department's cropland data for North Dakota for 1972 and 1975, which follows, illustrates this pattern.

<u>Cropland</u>	<u>1972</u>	<u>1975</u>	<u>Increase or decrease (-)</u>
----- (thousand acres) -----			
Planted with principal crops	17,682	19,752	2,070
In set-aside programs	6,140	-	-6,140
In diversion program	207	149	- 58
In minor crops, fallow, idle, and other	<u>a/4,112</u>	<u>8,623</u>	<u>4,511</u>
Total	<u>b/28,141</u>	<u>c/28,524</u>	<u>383</u>

a/Includes fallow cropland not in the set-aside programs.

b/Includes 9,500,000 acres in fallow.

c/Includes 6,900,000 acres in fallow.

As footnote b shows, 9.5 million acres were in fallow in 1972. This fallow acreage was included in the 6.1 million acres under the set-aside programs and in the 4.1 million acres of cropland in the general category (minor crops, fallow, idle, and other). A Department study indicates that summer fallow land constituted virtually all of the set-aside cropland in North Dakota. In 1975 acreage equivalent to the 6.1 million acres formerly in the set-aside programs either was returned to production or went into the general category.

The lag in the shift of set-aside acreage to production also varied among farms. This is illustrated in the following table by the farming patterns of two farms for 1972 and 1973.

<u>Cropland</u>	<u>Farm A</u>			<u>Farm B</u>		
	<u>1972</u>	<u>1973</u>	<u>Increase or decrease(-)</u>	<u>1972</u>	<u>1973</u>	<u>Increase or decrease(-)</u>
	----- (acres) -----					
Planted	<u>54</u>	<u>57</u>	<u>3</u>	<u>594</u>	<u>699</u>	<u>105</u>
Idle:						
Set-aside--						
fallow	36	4	-32	337	199	-138
Additional						
fallow	10	39	29	28	38	10
Conserving						
base	15	15	-	238	238	-
Wet	--	--	--	--	<u>23</u>	<u>23</u>
Total idle						
land	<u>61</u>	<u>58</u>	<u>- 3</u>	<u>603</u>	<u>498</u>	<u>-105</u>
Total land	<u>115</u>	<u>115</u>	<u>-</u>	<u>1,197</u>	<u>1,197</u>	<u>-</u>

As the table shows, Farm A's planted cropland increased only 3 acres, although set-aside land decreased 32 acres, because 29 of the 54 acres that had been planted in 1972 were switched to summer fallow in 1973. In the case of Farm B, set-aside land decreased 138 acres, but the planted cropland increased 105 acres.

CROPLAND RETAINED IN PASTURE

In some counties we visited where land was not generally alternated between production and fallow, agricultural officials told us that some grass-covered set-aside land was continued for pasture rather than planted with crops after the set-aside programs were discontinued. This continuation in grass cover would account for some of the gap between set-aside acreage and acreage returned to crop production.

The following table shows farming patterns of two farms in 1972 and 1973 and illustrates the foregoing situation as the set-aside programs were being phased out.

<u>Cropland</u>	<u>Farm C</u>			<u>Farm D</u>		
	<u>1972</u>	<u>1973</u>	<u>Increase or decrease(-)</u>	<u>1972</u>	<u>1973</u>	<u>Increase or decrease(-)</u>
	----- (acres) -----					
Planted	<u>110</u>	<u>140</u>	<u>30</u>	<u>98</u>	<u>113</u>	<u>15</u>
Idle:						
Set aside	43	10	-33	26	-	-26
Conserving base	-	-	-	12	12	-
Pasture	<u>3</u>	<u>6</u>	<u>3</u>	<u>8</u>	<u>19</u>	<u>11</u>
Total idle land	<u>46</u>	<u>16</u>	<u>-30</u>	<u>46</u>	<u>31</u>	<u>-15</u>
Total land	<u>156</u>	<u>156</u>	<u>-</u>	<u>144</u>	<u>144</u>	<u>-</u>

CROPLAND DIVERTED TO NONFARM USES

Some cropland that had been in the set-aside programs eventually was diverted to nonfarm uses. We observed former cropland that was diverted to such uses as shopping centers, airports, and highways.

At one county in a nonfallow area, local agricultural officials told us that, of the 67,000 acres set aside in 1972, 62,000 had returned to production while an estimated 5,000 acres had been diverted to such uses as highways, industrial parks, and recreational sites. The photographs on page 12 show cropland being prepared for industrial use and a local agricultural official pointing out former cropland used for expanding an airport.

According to a Department publication, ^{1/} about 500,000 acres of cropland are converted annually to urbanization, highway, and other nonfarm uses. An additional 2.2 million acres are not planted but converted to other uses, such as for grass and trees. This 2.7 million-acre loss is partially offset by 1.3 million acres of newly developed cropland, yielding an annual net loss of 1.4 million acres.

^{1/} Melvin L. Cotner, Land Use Policy and Agriculture: A National Perspective, Economic Research Service, Department of Agriculture, ERS-630, August 1976--revised.



**CROPLAND BEING CONVERTED TO
INDUSTRIAL USE**



**CROPLAND USED FOR AIRPORT
EXPANSION**

CHAPTER 3

1971-73 CROPLAND SET-ASIDE EXPENDITURES

ONLY PARTLY EFFECTIVE IN REDUCING PRODUCTION

The 1971-73 cropland set-aside expenditures were only partly effective in reducing production primarily because the Department allowed summer fallow cropland, normally idled regardless of set-aside programs, to qualify as set-aside cropland eligible for Federal payment. This problem occurred primarily in the wheat programs because wheat is the most widely grown crop in the summer fallow areas. Using information developed by agricultural economists, we estimated that \$800 million of the total 3-year wheat set-aside payments of \$1.8 billion did not result in reducing planted acreage below the level that would have been planted in the absence of the programs.

Our conclusion that some farmers were being paid for doing something--fallowing cropland--that they would have done anyway was confirmed by agricultural economists and by a recent Department study 1/ which states:

"Many farms have land in the cropland inventory that is regularly left idle after [a season of] planting. Fallow land is an obvious example***. Designation of land regularly idled anyway as land reserve [set-aside acreage] will not affect crop acreage. One reason *** associated with wheat is that land fallowed under normal circumstances has qualified as land reserve [set-aside acreage], resulting in no net effect on final wheat acreage."

The report also indicated that past acreage control programs usually were only 50 to 60 percent effective in reducing crop acreage.

Our estimate of how much of the wheat set-aside payments had been for land which would not have been planted anyway was derived as follows. During the 1971-73 period, the Department paid farmers \$1.8 billion to set aside a combined total of 41 million acres under the wheat programs.

1/Milton H. Ericksen, Use of Land Reserves to Control Agricultural Production, Economic Research Service, Department of Agriculture, ERS-635, September 1976.

Estimates by agricultural economists 1/ of acreage withdrawn from production suggest that the actual reduction in wheat acreage planted was much smaller than the total 41 million acres--possibly as little as 17 million acres, or only 41 percent of the acreage on which payments were made. Assuming that the set-aside programs were only 41 percent effective, 59 percent, or about \$1.1 billion of set-aside payments, had no effect in reducing planted acreage except that, in some situations, farmers had to reduce the acreage they had anticipated planting to other crops to meet the set-aside requirement under the wheat programs. This reduction resulted in a loss of income that might have been derived from these other crops. Assigning \$300 million as compensation for such situations results in an estimated \$800 million of ineffective payments under the 1971-73 wheat set-aside programs--payments that did not result in reducing planted acreage below the level that would have been planted in the absence of the programs.

According to agricultural economists, the problem for the feed grain and cotton programs was not as great as that for the wheat programs, because feed grains and cotton are not as widely grown in summer fallow areas.

In its comments (see app. II), the Department disagreed that ineffective payments amounted to \$800 million. It said that one of the functions of the set-aside programs was to bolster farm income and that a major portion of the \$800 million would have been paid as an income supplement in some other way. While some income supplement may have been intended, the fact remains that, because the summer fallow cropland would have been idle anyway, none of the estimated \$800 million resulted in reducing planted acreage below the level that would have been planted in the programs' absence.

1/Gail D. Garst and Thomas A. Miller, Impact of the Set-Aside Program on the U.S. Wheat Acreages, Agricultural Economics Research, Vol. 27, No. 2, April 1975, p. 30.

CHAPTER 4

CONCLUSIONS, RECOMMENDATION,

AND DEPARTMENT VIEWS

CONCLUSIONS

The 1971-73 cropland set-aside expenditures, intended to reduce agricultural commodity production, were only partly effective because cropland idled as a normal farming practice--summer fallow--qualified for set-aside payments. Under the wheat programs, this resulted in an estimated \$800 million of Federal payments being spent on idling cropland that would have been idled regardless of set-aside programs.

The authority for the cropland set-aside programs expires with the 1977 crop. If the programs are reauthorized and if cropland must be withdrawn from production in the future due to excessive agricultural supplies, appropriate adjustments should be included in the programs to avoid set-aside payments for cropland that would normally be withheld from production. Such an approach would avoid the ineffective expenditure of large sums that do not accomplish program objectives.

RECOMMENDATION TO THE SECRETARY OF AGRICULTURE

We recommend that the Secretary of Agriculture develop a legislative and administrative proposal designed to control production of major crops that may become excessive in supply, with appropriate recognition for the summer fallow factor.

DEPARTMENT VIEWS

In its comments (see app. II), the Department concurred in our conclusion concerning the "slippage" of 21 million acres and acknowledged that, for production adjustment purposes, the set-aside acreage requirements were not fully effective. It said that, as this report points out, there was a greater slippage incidence in summer fallow areas than in the rest of the United States.

The Department said it was anxious to work with the Congress, when considering new agricultural legislation, to develop more effective methods of reducing planted acreage for a given crop or crops, should such reductions be desirable.

CHAPTER 5

SCOPE OF REVIEW

We reviewed (1) the legislative history of the set-aside programs, (2) the pertinent regulations, procedures, reports, and records, and (3) the current use of some cropland that had been in the programs.

Our review covered the set-aside programs for feed grains and wheat but not for cotton. The review was made at the Agricultural Stabilization and Conservation Service headquarters office in Washington, D.C.; four ASCS State offices--Iowa, Minnesota, North Dakota, and South Dakota; and a total of nine ASCS county offices in these States. The counties visited are shown on a map in appendix III.

We interviewed ASCS national, State, and county officials; State officials of the Department's Statistical Reporting Service; State and local agricultural extension service officials; agricultural professionals of the Department's Economic Research Service and Agricultural Research Service; and professors at two agricultural colleges.

COMMODITY CREDIT CORPORATIONSUMMARY OF PAYMENTS UNDER CROPLAND SET-ASIDE PROGRAMS1971-73 CROP YEARS

<u>State</u>	<u>Feed grains</u>	<u>Wheat</u>	<u>Cotton</u>	<u>Total</u>
	------(000 omitted)-----			
Alabama	\$ 32,732	1,008	\$ 89,491	\$ 123,231
Arizona	9,051	2,035	75,133	86,219
Arkansas	5,590	2,692	146,411	154,693
California	26,116	11,642	157,262	195,020
Colorado	50,205	63,149	-	113,354
Connecticut	342	1	-	343
Delaware	2,894	704	-	3,598
Florida	13,972	287	1,934	16,193
Georgia	74,767	3,354	68,548	146,669
Idaho	9,815	67,791	-	77,606
Illinois	471,255	55,759	214	527,228
Indiana	237,824	39,445	-	277,269
Iowa	682,857	2,739	-	685,596
Kansas	231,462	292,115	-	523,577
Kentucky	56,892	5,174	775	62,841
Louisiana	5,181	663	71,791	77,635
Maine	166	6	-	172
Maryland	13,783	3,920	-	17,703
Massachusetts	104	-	-	104
Michigan	77,051	38,502	-	115,553
Minnesota	317,391	39,415	-	356,806
Mississippi	20,579	1,330	219,080	240,989
Missouri	215,609	46,941	40,609	303,159
Montana	28,202	159,781	-	187,983
Nebraska	396,656	113,795	-	510,451
Nevada	215	1,001	521	1,737
New Hampshire	82	-	-	82
New Jersey	4,807	1,487	-	6,294
New Mexico	26,894	16,909	23,633	67,436
New York	20,522	12,061	-	32,583
North Carolina	64,600	11,571	27,046	103,217
North Dakota	98,922	293,989	-	392,911
Ohio	133,125	45,645	-	178,770
Oklahoma	44,035	145,246	42,698	231,979
Oregon	6,268	30,766	-	37,034

APPENDIX I

APPENDIX I

<u>State</u>	<u>Feed grains</u>	<u>Wheat</u>	<u>Cotton</u>	<u>Total</u>
----- (000 omitted) -----				
Pennsylvania	\$ 27,009	\$ 11,307	\$ -	\$ 38,316
Rhode Island	5	-	-	5
South Carolina	26,543	5,498	59,527	91,568
South Dakota	128,917	86,307	-	215,224
Tennessee	40,145	3,959	61,647	105,751
Texas	341,477	110,823	538,674	990,974
Utah	2,714	9,185	-	11,899
Vermont	265	2	-	267
Virginia	22,284	7,596	591	30,471
Washington	11,437	92,320	-	103,757
West Virginia	1,562	414	-	1,976
Wisconsin	110,966	1,331	-	112,297
Wyoming	<u>2,887</u>	<u>7,680</u>	<u>-</u>	<u>10,567</u>
Total	<u>\$4,096,177</u>	<u>\$1,847,345</u>	<u>\$1,625,585</u>	<u>\$7,569,107</u>

UNITED STATES DEPARTMENT OF AGRICULTURE
COMMODITY CREDIT CORPORATION
WASHINGTON, D. C. 20250

MAR 3 1977

Mr. Henry Eschwege, Director
Community and Economic Development Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

We appreciate the opportunity to review the draft of your proposed report to the Congress on the need for a new approach for controlling production of major crops should surpluses again occur.

The draft report notes that after an appeal by the Secretary for all-out production, planted cropland in 1975 increased only 38 million acres over that planted in 1972. Since the Commodity Credit Corporation had earlier made set-aside payments on 59 million acres, we concur in the conclusion that there would appear to be a "slippage" of perhaps 21 million acres. We may further conclude that for production adjustment purposes, the requirements for determining acceptable set-aside acreage were not fully effective.

The report notes, and we concur, there is a greater incidence of slippage in the summer fallow areas than in the rest of the United States.

There are no set-aside requirements for any of the 1977 crops. You are aware that Congress is considering new agricultural legislation. This Department is most anxious to work with the Congress so that more effective methods may be developed to be used in the event it is deemed desirable to reduce planted acreage in a given crop or crops.

The report also notes that the General Accounting Office estimates that \$800 million of the total wheat set-aside payments for the years 1971, 72 and 73 did not result in reducing planted acreage. Thus, the GAO reaches the conclusion that this was an unnecessary payment. We do not fully agree with this conclusion. One of the functions of the program was to bolster farm income. This was accomplished with Wheat Certificate payments until suspended by the Agriculture and Consumer Protection Act of 1973. We feel that a major portion of the GAO derived \$800 million payment would have been made as an income supplement under the Wheat Certificate Program.

Sincerely yours,



Acting Executive Vice President,
Commodity Credit Corporation

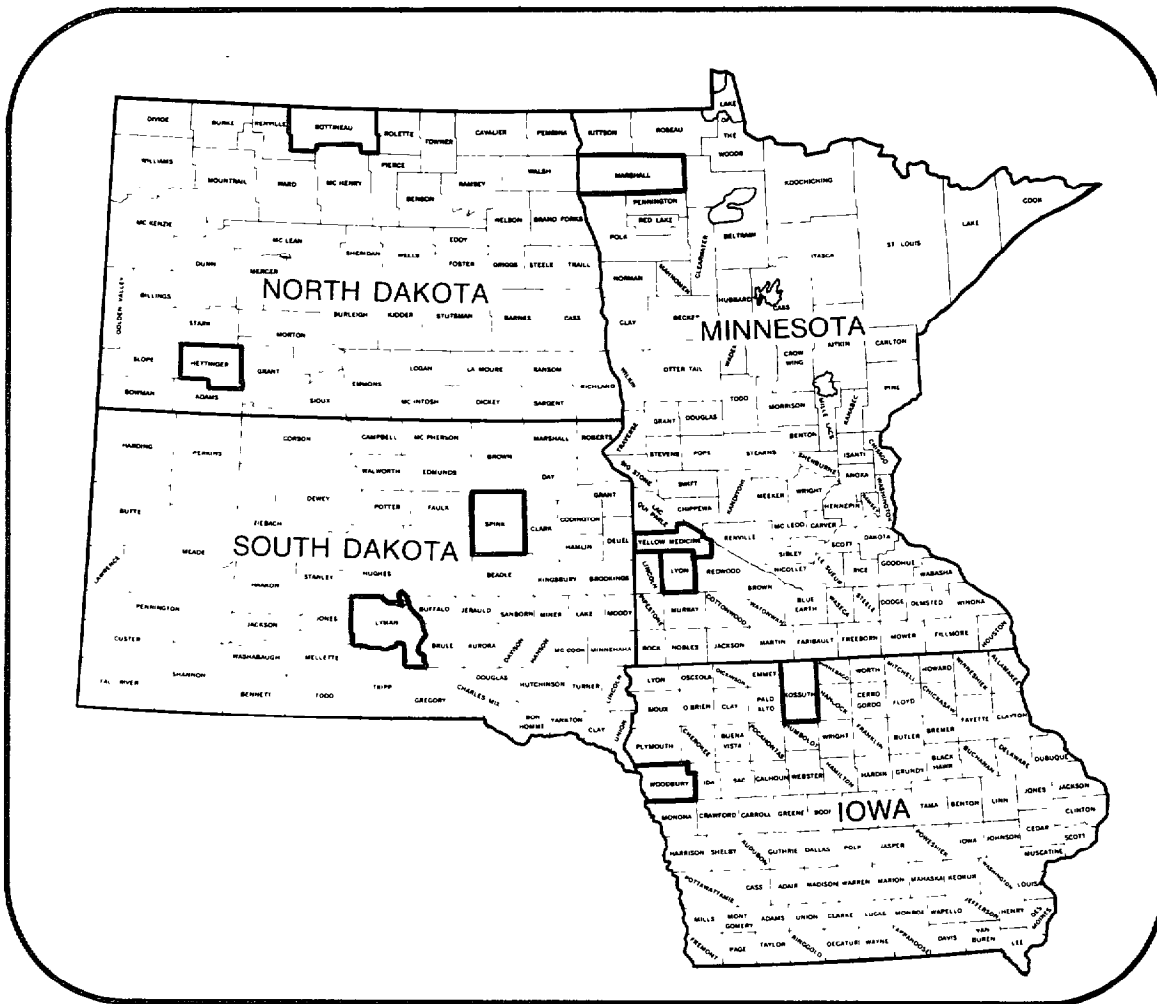
COUNTIES IN IOWA, MINNESOTA, NORTH DAKOTA, AND SOUTH DAKOTA VISITED BY GENERAL ACCOUNTING OFFICE

Iowa
Kossuth
Woodbury

North Dakota
Bottineau
Hettinger

Minnesota
Lyon
Marshall
Yellow Medicine

South Dakota
Lyman
Spink



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	<u>From</u>	<u>To</u>
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Clifford M. Hardin	Jan. 1969	Nov. 1971
Earl L. Butz	Dec. 1971	Oct. 1976
John A. Knebel	Nov. 1976	Jan. 1977
Bob Bergland	Jan. 1977	Present
PRESIDENT, COMMODITY CREDIT CORPORATION:		
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Carroll G. Brunthaver	June 1972	Jan. 1974
Clayton Yeutter	Mar. 1974	June 1975
Richard E. Bell	July 1975	Jan. 1977
Dale E. Hathaway	Apr. 1977	Present
ADMINISTRATOR, AGRICULTURE STABILIZATION AND CONSERVATION SERVICE, AND EXECUTIVE VICE PRESIDENT, COMMODITY CREDIT CORPORATION:		
Kenneth E. Frick	Mar. 1969	Jan. 1977
Victor A. Senechal (acting)	Feb. 1977	Present

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