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History of Agricultural Price-Support and Adjustment Programs, 1933-84

Background for 1985 Farm Legislation

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ABSTRACT

The U.S. Department of Agriculture's concern with price-support and adjustment legislation is carried out under a series of interrelated laws passed by Congress from 1933 to 1984. Beginning with the major proposals of the 1920s for handling and marketing farm surpluses, this history records the establishment of price-support and adjustment programs with the Federal Farm Board in 1929 and the Agricultural Adjustment Acts of 1933 and 1938, and then traces their evolution through 1984. This half century of development is important because it forms the foundation for implementing current and future farm legislation.

Key words: Price support, production adjustment, history, Depression.

PREFACE

Congress will consider new farm legislation in 1985 to replace the expiring Agriculture and Food Act of 1981. In preparation for these deliberations, the Department of Agriculture and many groups throughout the Nation are studying the experience under the 1981 law and preceding legislation to see what lessons can be learned that are applicable to the 1980s. This history of USDA price-support and adjustment programs supplements an earlier series of background papers on the key characteristics of 14 commodities, the farm industries which produce them, and the farm programs under which they are produced. These papers, available from EMS Information, 1470-S, USDA, Washington, DC 20250, (202/447-7255), focus on Honey (AIB-465), Wool and Mohair (AIB-466), Wheat (AIB-467), Tobacco (AIB-468), Peanuts (AIB-469), Rice (AIB-470), Corn (AIB-471), Soybeans (AIB-472), Oats (AIB-473), Dairy (AIB-474), Sorghum (AIB-475), Cotton (AIB-476), Barley (AIB-477), and Sugar (AIB-478). Other background papers available are Federal Credit Programs for Agriculture (AIB-483), and Impacts of Policy on U.S. Agricultural Trade (ERS Staff Report No. AGES840802).

This report was prepared in the National Economics Division, Economic Research Service, by Douglas E. Bowers, Wayne D. Rasmussen, and Gladys L. Baker.

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SUMMARY OF MAJOR AGRICULTURAL LEGISLATION, 1933-1984

Agricultural Adjustment Act of 1933
- *the first major price support and acreage reduction program
- *set parity as the goal for farm prices
- *acreage reduction achieved through voluntary agreements with producers
- *markets regulated through voluntary agreements with processors and others
- *processing taxes used to offset cost of program

Agricultural Adjustment Act Amendments of 1935
- *gave President authority to impose import quotas when imports interferred with agricultural adjustment programs
- *designated 30 percent of customs receipts to promote agricultural exports and domestic consumption and help finance adjustment programs

Soil Conservation and Domestic Allotment Act of 1936
- *payments to farmers authorized to encourage conservation
- *set parity as the goal for farm income

Agricultural Adjustment Act of 1938
- *reenacted a modified Soil Conservation and Domestic Allotment Act
- *provided for acreage allotments, payment limits, protection for tenants
- *first comprehensive price support legislation with nonrecourse loans
- *marketing quotas established for several crops

Steagall Amendment of 1941
- *required support of many nonbasic commodities at 85 percent of parity or higher
- *soon amended to require 90 percent of parity and extended for 2 years after war

Agricultural Act of 1948
- *shifted price supports from fixed to flexible, a move postponed several years
- *modernized parity formula

Agricultural Act of 1949
- *became part of fundamental legislation along with 1938 Act; last major act without an expiration date
- *superseded 1948 Act, postponing flexible price supports
- *cushioned impact of new parity formula

Agricultural Act of 1954
- *established flexible price supports beginning 1955
- *authorized a CCC reserve for foreign and domestic relief

Agricultural Trade Development and Assistance Act of 1954 (P.L. 480)
- *became the basic act for selling and bartering surplus commodities overseas and for overseas relief

Agricultural Act of 1956
- *began Soil Bank program for long- and short-term removal of land from production

Emergency Feed Grain Program of 1961
- *launched a voluntary acreage reduction program with PIK provisions

Food and Agriculture Act of 1962
- *continued feed grain acreage reduction program
- *provided two-tiered feed grain supports with price support payments in addition to nonrecourse loans
- *proposed a mandatory wheat program, voted down by referendum

Agricultural Act of 1964
- *established a wheat certificate program
- *began a cotton PIK program

Food and Agriculture Act of 1965
- *first in a series of comprehensive, multi-year farm laws; lasted 5 years
- *extended voluntary acreage controls to wheat and cotton
- *wheat certificate program from 1964 extended

Agricultural Act of 1970
- *provided a more flexible approach to supply control through set asides
- *limit of government payments to $55,000 per crop

Agriculture and Consumer Protection Act of 1973
- *target prices and deficiency payments replaced price support payments
- *payment limit lowered to $20,000
- *emphasized expanded production to meet world demand

Food and Agriculture Act of 1977
- *raised price and income supports
- *continued flexible production controls and target prices
- *established farmer-owned reserve for grains
- *set up new two-tiered peanut program

Agriculture and Food Act of 1981
- *contained a number of cost-cutting measures
- *set specific target prices for 4-year length of bill
- *rice allotments and marketing quotas eliminated
- *dairy supports lowered

Omnibus Budget Reconciliation Act of 1982
- *froze dairy price supports

No Net Cost Tobacco Program Act of 1982
- *established producer-supported fund to repay Government for program costs
- *required disposal of some nonfarm allotment holdings

Payment-in-Kind (PIK) Program of 1983
- *provided voluntary, massive acreage reduction by adding payments in kind to regular acreage reduction payments for grain, upland cotton, and rice; instituted by executive action

Dairy and Tobacco Adjustment Act of 1983
- *froze tobacco price supports
- *launched a voluntary dairy diversion program

Agricultural Programs Adjustment Act of 1984
- *froze target price increases provided in 1981 Act
- *paid diversions authorized for feed grains, upland cotton, and rice
- *wheat PIK program provided for 1984

CONTENTS

Page

Introduction..... 1
Origin of Adjustment Programs..... 1
Agricultural Adjustment Act of 1933..... 3
Soil Conservation and Domestic Allotment
Act of 1936..... 11
Sugar Act of 1937..... 11
Agricultural Marketing Agreement Act of 1937..... 12
Agricultural Adjustment Act of 1938..... 12
Wartime Measures..... 16

Postwar Price Supports..... 17
Korean War..... 20
Toward Flexible Price Supports..... 21
Soil Bank..... 22

Farm Programs in the 1960s..... 23
Food and Agriculture Act of 1965..... 26
Agricultural Act of 1970..... 27
Agriculture and Consumer Protection Act of 1973..... 29

Food and Agriculture Act of 1977..... 31
Emergency Assistance Act of 1978..... 35
Agriculture and Food Act of 1981..... 36
Recent Legislation..... 40
Conclusion..... 44

Table--Production, Prices, and Price Supports of Three
Major Commodities, 1949-83..... 45

Chart--Number of Farms and Average Size, 1933-83..... 46

Index..... 47

HISTORY OF AGRICULTURAL PRICE-SUPPORT AND ADJUSTMENT PROGRAMS, 1933-84

INTRODUCTION

Many U.S. Department of Agriculture (USDA) programs, particularly those concerned with farm price-support and adjustment legislation, result from a series of interrelated laws passed by Congress since 1933. This review provides a history of how congressional legislation and programs have been modified for changing economic situations in the past half century.

ORIGIN OF ADJUSTMENT PROGRAMS

The unprecedented economic crisis which paralyzed the Nation by 1933 struck first and hardest at the economy's farm sector. For agriculture and rural America, it was the worst economic-social-political wrenching in history. Farm foreclosures were the order of the day. Realized net income of farm operators in 1932 was less than one-third of what it had been in 1929. Farm prices fell more than 50 percent, while prices of goods and services farmers had to buy declined 32 percent.

The relative decline in the farmers' position had begun in the summer of 1920 when the United States began the transition from a debtor to a creditor Nation after World War I, resulting in a continued loss in the volume and price of exports. Thus, for a decade farmers were caught in a serious squeeze between the prices they received and the prices they had to pay before the situation became critical and a major element of the Depression.

Farm journals and farm organizations had, since the 1920s, been advising farmers to control production on a voluntary basis. Attempts were made in some areas to organize crop withholding movements on the theory that speculative manipulation caused price declines. When these attempts proved to be unsuccessful, farmers turned to the more formal organization of cooperative marketing for staple crops. After voluntary organizations of wheat and livestock producers collapsed, farmers began campaigns for Government assistance in solving the farm problem.

A number of programs were proposed, but the one which gained widespread support became known as the McNary-Haugen Plan after it was introduced into Congress in 1924 by Senator Charles L. McNary of Oregon and Representative Gilbert N. Haugen of Iowa. The plan was first promoted by George N. Peek and Hugh S. Johnson, managers of the Moline Plow Company. Their company had failed because of the farm depression. As Peek said, "You can't sell a plow

to a busted customer." Both Peek and Johnson had worked in the War Industries Board during World War I and, based on this experience, felt Government action could provide economic stability. At the convention of the American Farm Bureau Federation in late 1921, Peek and Johnson presented a plan for selling farm products for domestic consumption at a fair exchange value and surplus products abroad at a world price. With modifications, the McNary-Haugen bill was before Congress from 1924 until May 23, 1928, when it was vetoed for the second time by President Coolidge.

As first introduced into Congress, the bill provided for: a segregation of surplus, which was to be sold abroad at world prices; a distribution of operating costs and losses among growers by an equalization fee; a script device to collect equalization fees; and a price-ratio provision to determine fair prices. Provisions were to apply to eight basic agricultural commodities: wheat, corn, cotton, wool, cattle, sheep, swine, and rice. A board to determine fair prices was to be established, as was a Government corporation to sell the surplus abroad. Even though the plan was defeated, it had served as a rallying point, and pressure for farm relief continued until the Government assumed a responsibility for farm prices.

Export-debenture, a second plan first promoted in 1926 by economist Charles L. Stewart of Illinois, proposed to make the tariff effective for agriculture by providing for the payment of a bounty on the export of farm products in the form of negotiable instruments called debentures to be used by importers in paying custom duties. Advocates believed that farm product prices would be raised by the extent of the bounty. Supported by the National Grange and other farm groups, the plan, introduced as the McKinley-Adkins bill in January 1926, failed to pass Congress.

A third plan, calling for Government to guarantee prices at cost of production plus fair profit, was introduced in early 1925 by Senator Lynn J. Frazier of North Dakota. This bill would have established a Federal agricultural marketing board to buy 90 percent of the amount of wheat, corn, and cotton deemed necessary for domestic consumption and to sell those products at cost of production plus fair profit. The bill died in the Senate committee. However, cost of production was demanded by the National Farmers Union and by the militant National Farmers Holiday Association which threatened, in the early 1930s, to call a nationwide farm strike to achieve cost of production.

It was presumed the Government had the necessary techniques and data to measure cost of production, a major area of research for the Bureau of Agricultural Economics since its organization in 1922. However, the Secretary of Agriculture argued that conditions of production varied so widely throughout the Nation from region to region and from farm to farm that figures could not be computed that would be reasonably satisfactory in all parts of the Nation.

The first major Government response to the agricultural depression was the Federal Farm Board, established by the Agricultural Marketing Act of 1929. The act was based on the theory that with Federal aid cooperative marketing organizations could provide a solution to the problem of low farm prices. To supplement this method, the board, with a revolving fund of $500 million, had authority to make loans to cooperative associations, to make advances to members, and to make loans to stabilization corporations for the purpose of controlling any surplus through purchase operations.

By June 30, 1932, the board's efforts to stem the disastrous decline in farm prices had failed, mainly because of the worldwide nature of the depression and the board's inability to control production. In a special report to Congress in December 1932, board members recommended legislation which would "provide an effective system for regulating acreage or quantities sold, or both."

The groundwork for production control had been laid by the development of the voluntary domestic allotment plan. In fact, an economist of the Federal Farm Board had been working with M. L. Wilson of Montana State College, one of the developers and promoters of the plan and later Under Secretary of Agriculture, on the plan's final stages. As first proposed in 1926 and 1927, the "limited debenture" plan was a way to make the tariff effective in the United States without causing increases in production or without affecting world prices. The plan proposed making allotments to producers equivalent to their proportion of the crop sold for domestic use. Producers were to receive, in the form of debentures, the amount of the tariff less their share of necessary expenses. Harry N. Owen first presented the plan in 1926 in his journal, Farm, Stock, and Home. He drew upon ideas supplied by W. J. Spillman of USDA who developed the plan further in a book, Balancing the Farm Output, published in January 1927.

By 1932, the plan had become the "voluntary domestic allotment plan," which could not become operative without approval of a large majority of the producers voting in a referendum. The plan would apply to cotton, wheat, corn in the form of hogs, and tobacco; an excise tax would be collected at the point of processing. The amount of the tax would be the amount of the tariff according to one plan, or an amount sufficient to give the commodity its prewar purchasing power. The Government administrative agency would pay farmers their pro rata share of the funds on the domestic portion of their crop providing they signed production control contracts. Only farmers who cooperated in adjusting their production were to receive benefits.

The voluntary domestic allotment plan would be included in the Agricultural Adjustment Act of 1933 as one of the means authorized for attacking the farm problem.

AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act, approved on May 12, 1933, aimed to restore farm purchasing power of agricultural commodities to the prosperous 1909-14 level. This goal became known as parity, a term first used in the Agricultural Adjustment Act of 1938. Parity seeks an equality of exchange relationship between agriculture and industry or between persons living on farms and persons not on farms. The 1909-14 period was chosen as the base because it was considered one of relatively normal relationships with prices not changing very rapidly. In 1933, the Secretary's economic advisers stated that the 1909-14 period was "one of considerable agricultural and industrial stability...with equilibrium between the purchasing power of city and country." It was "the most recent period when economic conditions, as a whole, were in a state of dynamic equilibrium."

Calculating parity prices may be illustrated by wheat, using the 1909-14 indexes prescribed by law from 1933 to 1948 (after 1948, the indexes were based on 1910-14). First it is necessary to determine the base price. The 1909-14 average farm price of wheat was 88.4 cents per bushel. Next, an index

is calculated of prices paid for goods and services used in production and in living in relation to the base period. More than 80 items were used for family living and almost 90 were used for farm production in calculating indexes when the 1933 legislation was passed. In each case, estimates had to be made of the quantities used. This information was combined into an index. On June 15, 1942, for example, the overall index was 152, which meant that farm commodity prices would have needed to be 152 percent of the prices prevailing in 1909-14 to have the same per unit purchasing power they had in 1909-14. The base period prices adjusted by the index of prices paid yield the parity price. In this case, 88.4 cents is multiplied by 1.52, giving 134.4 cents a bushel, the price that wheat would have to be to reach 100 percent of parity. Since the actual market price was 95.7 cents per bushel, parity for wheat on June 15, 1942, was 71.2 percent.

Parity was to be accomplished through the use, by the Secretary of Agriculture, of a number of methods. These included the authorization (1) to secure voluntary reduction of the acreage in basic crops through agreements with producers and use of direct payments for participation in acreage control programs; (2) to regulate marketing through voluntary agreements with processors, associations of producers, and other handlers of agricultural commodities or products; (3) to license processors, producer associations, and others handling agricultural commodities to eliminate unfair practices or charges; (4) to determine the necessity for and the rate of processing taxes; and (5) to use the proceeds of taxes and appropriated funds for the cost of adjustment operations, for the expansion of markets, and for the removal of agricultural surpluses.

Congress simultaneously declared its intent to protect the consumers' interest by readjusting farm production to a level that would not increase the percentage of consumers' retail expenditures above the percentage returned to farmers in the prewar base period.

Wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products were designated as basic commodities in the original legislation. On April 7, 1934, the Jones-Connally Act expanded this list to rye, flax, barley, grain sorghum, peanuts, and cattle. Cattle producers opposed inclusion of cattle among the list of basic commodities in the original act; their efforts were concentrated on working out a marketing agreement with meat packers. But, the agreement was never completed. In 1934, with a record supply of breeding stock, cattlemen gave qualified support to including beef and dairy cattle among the basic commodities but they opposed use of a processing tax. As a result, the Jones-Connally Act of April 7, 1934, included cattle.

Aspects of the broad program included surplus control, production adjustment, and disease control to be financed in part by an authorized $250 million appropriation. However, the 1934 drought led to abandonment of any plans for a production adjustment program. An emergency program to purchase cattle from farmers was put into effect, financed by an emergency appropriation. Farmers who sold cattle received purchase payments and benefit payments.

The Jones-Costigan Act of May 9, 1934, added sugarcane and sugarbeets to the list of basic commodities. The act gave the Secretary of Agriculture the power to make rental or benefit payments in connection with acreage or marketing restrictions. The sugar adjustment problem differed from that of other crops in that more than two-thirds of the supply came from offshore areas, particularly Cuba, the Philippines, Hawaii, Puerto Rico, and the Virgin Islands. The law imposed a processing tax on sugar and provided for the

establishment of a system of sugar quotas for the amount of sugar that could be sold in the continental United States.

Sugar quotas were given to each offshore area and to U.S. processors of beets and cane. Quotas assigned to the processors were in turn divided among the growers who had previously supplied their plants. The allotments were designed to give each grower an equitable share of total U.S. acreage allotment. However, the allotment could be based on the grower's average acreage in the preceding 5-, 4-, 3-, or 2-year period or on 70 percent of 1933 or 1934 production as the grower might choose.

One feature not included in other commodity programs was the authorization of improved standards for agricultural labor, particularly child labor. A provision in the Jones-Costigan Act required minimum wage payments to fieldworkers and a ban of child labor in sugarbeet fields. Growers were not eligible for payments unless these conditions were met. They were restricted from reducing the number of sharecroppers below the number in 1934.

Unlike the processing taxes for other commodities, taxes on sugar were closely related to tariff policy. The amount of the processing tax on sugar was limited to the amount selected by the President to reduce the rates of duty based on the Tariff Act of 1930, adjusted to the preference on Cuban sugar.

Potatoes were added to the list of basic commodities on August 24, 1935, by the Warren Potato Act, included as Title II of the 1935 amendments to the Agricultural Adjustment Act of 1933. Production control was provided by an allotment and tax method of the general type embodied in the Bankhead and Kerr-Smith Acts for cotton and tobacco. The Potato Act was repealed by Congress on February 10, 1936. This action followed the Supreme Court's decision of January 6, 1936, declaring the Agricultural Adjustment Act unconstitutional.

In 1933, the situation confronting cotton farmers demanded immediate and drastic action. The price of cotton had fallen from 29 cents a pound in 1923 to 6.5 cents in 1932. Increased cotton acreage and favorable weather threatened to drive prices even lower and to increase a carryover which had already reached three times normal size. A cotton plow-up campaign was announced June 19, 1933, with the objective of eliminating, during the first year, 10 million acres or 25 percent of the growing crop. This objective was reached.

Under the first cotton contracts, offered during June 1933, growers agreed to plow up from 25 to 50 percent of their acreage in cotton in return for rental payments in cash or in cash plus a form of payment-in-kind option based roughly on potential cotton eliminated. Under a second series of contracts, signed in early 1934, farmers agreed to limit for 2 years their acreage planted to cotton. During 1934, they agreed to plant between 55 and 65 percent of their base acreage, which represented the acreage planted for the crops of 1928-32. They received direct payments officially called parity payments, as well as cash-rental payments, during 1934 and 1935. The parity payments were made on 40 percent of the base production, which was estimated to be the domestically consumed portion of production.

However, more direct and drastic action on cotton was demanded and secured before the first crop under the acreage reduction program could be marketed. A sharp decline in cotton prices, following a short speculative boom and the serious financial condition of farmers, led to demands during September 1933

that the currency be inflated and that the minimum price of cotton be fixed at 15 cents a pound. The administration responded with a nonrecourse loan of 10 cents a pound on the 1933 cotton crop. The loan rate, raised to 12 cents for 1934-35, was dropped to 10 cents for 1935-36, supplemented by price adjustment payments.

The loans were made possible by the establishment, on October 17, 1933, of the Commodity Credit Corporation (CCC) by Executive Order 6340 of October 16. The funds for the loans by CCC were secured from an allocation authorized by the National Industrial Recovery Act and the Fourth Deficiency Act. USDA officials justified loans as an emergency measure enabling growers to hold their cotton until the price could advance as a result of the production control program and of the administration's currency policy.

With the enactment of the Bankhead Cotton Control Act of April 21, 1934, voluntary control of cotton production was supplanted by compulsory control. The controls became effective when two-thirds of the producers voting in a referendum approved them. This act provided heavy taxes on cotton ginned in excess of individual quotas. Impetus for the enactment of the legislation came from representatives of cotton farmers and congressional Representatives and Senators who feared that intensive cultivation and increased plantings by noncooperating farmers would tend to nullify the effectiveness of the voluntary program.

As a supplement to the adjustment program, loans were made by the Reconstruction Finance Corporation to the Chinese Government to purchase American cotton and to American exporters to finance exports of cotton to Russia.

Prospects of a sharp decline in the winter wheat crop due to weather conditions saved wheat farmers from being asked to join cotton farmers in plowing up part of their growing crops. The dramatic proposal to pay farmers for plowing up a food crop had been discussed at a May 26, 1933, meeting of representatives of wheat producers, processors, and distributors with the Secretary of Agriculture and officials of the Agricultural Adjustment Administration. Of the alternative proposals for wheat discussed during this meeting, the domestic allotment plan received the support of the growers and was generally endorsed by most of the handlers and processors.

With the domestic allotment plan chosen, the wheat program was announced in broad outline on June 16, 1933. This was followed by a formal proclamation on June 20. Under this program, contracting producers who agreed to limit wheat acreage for the 1934 and 1935 crops received payments on the basis of their proportionate share of the national production domestically consumed.

Adjustment payments of around 30 cents per bushel were made for the crop years 1933, 1934, and 1935 on 54 percent of the average amount of wheat produced on the grower's farm during 1928-32. In return, the wheat farmer agreed to reduce wheat acreage for the 1934 and 1935 crops by a percentage to be determined by the Secretary, but not to exceed 20 percent. The cut in wheat acreage required under the contracts was 15 percent for 1934 and 10 percent for 1935. Reduced wheat stocks, resulting from the droughts of 1933 and 1934, made it possible for wheat producers to avoid the large acreage cuts imposed on cotton growers. The wheat program stressed the importance of the payments in increasing farm purchasing power and farm income and the necessity of restricting acreage enough to prevent an increase in production while the program was in effect.

The acreage adjustment program was supplemented for Pacific Northwest wheat growers by special surplus disposal programs which included the use of processing tax funds to subsidize exports of wheat and flour under a marketing agreement effective October 10, 1933, and the use of Reconstruction Finance Corporation funds for a loan to enable the Chinese Government to buy wheat and flour. A small loan was also made to the Philippines. Following a sharp drop in wheat futures on the commodity exchanges, beginning October 17, 1933, over 16 million bushels of wheat were purchased for relief distribution by the Federal Surplus Relief Corporation, established October 4, 1933. The International Wheat Agreement, signed in late 1933, was considered an important supplement to the wheat adjustment program. The agreement provided for export quotas, curtailment of 1934 acreage of leading export countries, and commitments by importing countries to reduce barriers to wheat imports. This agreement broke down within a year, not to be revived until 1949.

Tobacco production control programs were distinguished from control programs for the other commodities by the use of different base years (the period August 1919 to July 1929 was the base for determining the parity price goal) and by the use of quantity, as well as acreage, control. Tobacco production allotments, representing the amount which could be produced for sale, were assigned under acreage adjustment contracts for all types except cigar tobacco. Six types of tobacco were treated as separate commodities in the application of adjustment programs.

Another distinguishing feature of the tobacco programs was the use of marketing agreements in 1933 to raise the prices of several kinds of tobacco in anticipation of the price-increasing effect of controlled production. Under six agreements, processors contracted to pay prices substantially higher than those paid the preceding year and to take quantities of the commodity at least equal to those which they were accustomed to purchasing. These price-fixing agreements had been preceded by protest meetings of growers demanding immediate action to raise prices, by the closing of all tobacco markets in North Carolina and South Carolina by the State Governors, by preparation of plans by the Agricultural Adjustment Administration to use the licensing power conferred by the Agricultural Adjustment Act to require all buyers of flue-cured tobacco to pay minimum prices, and by a successful signup campaign for reducing the 1934 tobacco crop.

The first marketing agreement, the one on flue-cured tobacco, became effective on October 12, 1933. Marketing agreements for other tobacco types followed. For Connecticut Valley shade-grown tobacco, the marketing agreement provided for production control without the use of a processing tax. Handlers were to be subject to licenses.

Contracts limiting the acreage harvested on cigar-filler and binder tobacco for the 1933 crop resulted in plowing under more than 12,000 acres of planted tobacco. Adjustment contracts for the other five types of tobacco applied only to the 1934 and 1935 crops.

Tobacco growers, who had signed Government contracts, like cotton program participants, wanted to insure that noncooperators could not profit from higher prices on unrestricted production. These growers secured enactment of the Kerr-Smith Tobacco Control Act of June 28, 1934, which provided a mandatory tax upon the sale of all tobacco harvested in the crop year 1934-35 except Maryland, Virginia sun-cured, and cigar leaf tobaccos. Tax-payment warrants were to be issued by the Secretary of Agriculture to contract signers. Upon a favorable vote of producers who controlled three-fourths of

the land, the program could be applied to any type of tobacco for the 1935-36 marketing year. Growers of the types of tobacco to which the tax was applied during the 1934-35 crop year voted overwhelmingly for its continuance and, in February 1935, growers of cigar-filler and binder tobacco voted to have the tax applied to their crops.

The last major adjustment program to be launched was the corn-hog program. The critical situation facing producers had to be balanced against the need for time to work out a control program for two separate, but closely interrelated, commodities. The Agricultural Adjustment Administration was committed to developing and operating voluntary programs with the assistance of representatives of the producers of each commodity. Since no organization with adequate scope devoted exclusively to the corn-hog industry existed when the act was passed, the Secretary of Agriculture quickly encouraged development of such an organization. Following a series of meetings of producer representatives, the National Corn-Hog Producers' Committee of Twenty-five was selected July 18, 1933.

By July 1933, sharply reduced corn prospects due to unfavorable weather had resulted in the decision that corn producers would not be asked to join cotton and tobbaco producers in plowing under growing crops. Since the short 1933 corn crop would not bring about a decrease in hog production until 1934-35, attention was first concentrated on finding a solution for the problem of the heavy supplies of hogs expected to be marketed during the winter of 1933-34. Another factor was the large expansion in hog breeding which had been stimulated by the cheap corn of the preceding year.

The National Corn-Hog Producers' Committee of Twenty-five recommended immediate removal from marketing channels of approximately 4 million pigs weighing less than 100 pounds and about 1 million sows about to farrow. Premium prices were to be paid for the pigs and a special bonus offered for the sows. Insofar as practicable, the pork products were to be distributed through relief channels. Pigs that could not be economically processed for food were used for grease and tankage. Actual purchases were about 6.2 million pigs and around 222,000 sows. About 100 million pounds of edible pork were distributed for relief. In a supplemental program (which began during November 1933 and ended in May 1934), approximately 1.4 million head of live hogs and approximately 92 million pounds of pork were purchased by the Federal Surplus Relief Corporation.

Officials correctly anticipated that the program would create more unfavorable public reaction than the plowing up of cotton and tobacco but they felt such drastic action was necessary. The emergency slaughter program, which the press called the killing of the little pigs, shocked the public and distressed many farmers. Commenting in 1934 on these first adjustment activities, Secretary Wallace wrote:

> To have to destroy a growing crop is a shocking commentary on civilization. I could tolerate it only as a cleaning up of the wreckage of the old days of unbalanced production.

By October 1933, Corn Belt farmers were demanding an emergency program for corn to raise prices before the longer time corn-hog adjustment program could become effective. Sentiment for price fixing was strong in the corn area where the Farmers' Holiday Association was threatening a national strike. The National Corn-Hog Producers' Committee of Twenty-five had recommended negotiation of a marketing agreement to insure parity prices for hogs. Farm

pressure for price fixing brought about a demand for Government pegging of prices at parity levels by 10 Midwestern Governors meeting in Des Moines on October 31, 1933. Corn Belt farmers pressed the administration to provide as favorable treatment for corn as had been provided for cotton. The Illinois Agricultural Association argued that corn loans were necessary to prevent the greater part of the benefits of the acreage reduction program from being realized by the grain trade.

The Secretary and Agricultural Adjustment Administration officials were opposed to price fixing but were concerned with the problem of providing an immediate stimulus to farm purchasing power as a part of the overall recovery program. A corn loan was justified on the basis that it would advance farmers some of the benefits to be derived from the short corn crop of 1933 and the substantial acreage reduction scheduled for 1934.

With President Roosevelt's approval, a corn loan was announced on October 25, 1933. The loan at 45 cents (substantially above the farm price of corn) was characterized as "the equivalent of a modified price-fixing plan" but was regarded as sound because borrowers had to agree to participate in the 1934 corn-hog reduction program. Corn loans were offered at 55 cents in 1934 and at 45 cents in 1935; however, market prices were above these loan rates in both years.

The Emergency Purchase Program and corn loans above market prices were regarded as temporary emergency measures to increase farm prices and purchasing power until the longer time adjustment program could raise farm prices and incomes. Participants in the program were required to cut their corn acreage below the average acreage planted in 1932 and 1933 by not less than 20 percent. In return, growers were paid 30 cents per bushel on their average yield on the acreage taken out of corn up to 30 percent of the base acreage. They were also required to cut the number of litters and the number of hogs produced for market at least 25 percent in return for payments of $5 per head for the hogs the producer was authorized to raise. The provisions on corn were later modified to adjust to the drought emergency. The contracts for 1935 required a 10-percent reduction in corn acreage and hog production from the amount in the base period.

The rice program during 1933 and 1934 was distinctive because production control was carried out through marketing agreements between the Secretary of Agriculture and rice millers. Production control was to be effected by withholding 40 percent of the grower's price at time of delivery as a trust fund to be distributed to cooperating growers upon proof of compliance. A more typical production adjustment program was introduced in 1935, following enactment of the DeRouen Rice Act of March 18, 1935, with individual contracts and benefit payments to be financed by a processing tax of 1 cent per pound.

A production control and diversion program was developed for peanuts after their designation as a basic crop. The program, announced September 29, 1934, included contracts with peanut growers obligating them to plant not over 90 percent of the acreage planted in 1933 or 1934, or the average of 1933 and 1934 acreage. The contract provided for benefit payments, diversion payments for growers who diverted peanuts to oil or feed uses, and processing taxes. A marketing agreement had been in effect for peanuts before Congress added them to the list of basic commodities. Adjustment programs were not drawn up for the other basic commodities.

Production control programs were supplemented by marketing agreement programs for a number of fruits and vegetables and for some other nonbasic commodities. The first such agreement, covering the handling of fluid milk in the Chicago market, became effective August 1, 1933. Marketing agreements raised producer prices by controlling the timing and the volume of the commodity marketed. Marketing agreements were in effect for a number of fluid milk areas. For a short time, such agreements were also in operation for the basic commodities of tobacco and rice, and for peanuts before their designation as a basic commodity.

USDA surplus disposal programs were initiated as an emergency supplement to the crop control programs. The Federal Surplus Relief Corporation, later named the Federal Surplus Commodities Corporation, was established on October 4, 1933, as an operating agency for carrying out cooperative food purchase and distribution projects of USDA and the Federal Emergency Relief Administration. Processing tax funds were used to process heavy pigs and sows slaughtered during the emergency purchase program, which was part of the corn-hog reduction campaign begun during November 1933. Pork products were distributed to unemployed families during 1934 and early 1935 as was meat from other animals purchased with special drought funds. Other food products purchased for surplus removal and distribution in relief channels included butter, cheese, and flour.

The amendments of August 24, 1935, to the Agricultural Adjustment Act had a number of important provisions which remained in effect after the production control provisions of the act were invalidated. One of the most important of these, known as Section 32, set aside 30 percent of the customs receipts for promoting exportation and domestic consumption, encouraging the use of surplus commodities by diverting them to industrial or other use, and financing adjustments in the production of agricultural commodities.

Section 22, another important amendment of 1935 not invalidated by the Supreme Court's decision, gave the President authority to impose import quotas on farm commodities whenever he believed imports interfered with the agricultural adjustment program. The quota for any country, however, could not be less than 50 percent of the average annual quantity imported from that country from July 1, 1928, to June 30, 1933.

The Hoosac-Mills decision of the Supreme Court invalidated the production control provisions of the Agricultural Adjustment Act of May 12, 1933, on the grounds that the Federal Government had no right to regulate the local business of farming and that the processing tax was for the benefit of a particular group rather than to promote the general welfare. On January 6, 1936, programs which were carried out through contracts between the Federal Government and individual farmers, and financed by processing taxes, were abruptly halted.

Farmers had enjoyed a striking increase in farm income during the period the Agricultural Adjustment Act had been in effect. Farm income in 1935 was more than 50 percent higher than during 1932, due in part to the farm programs. Rental and benefit payments contributed about 25 percent of the amount by which the average cash farm income in 1933-35 exceeded 1932's average cash farm income.

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT OF 1936

The Supreme Court's ruling against the production control provisions of the Agricultural Adjustment Act left USDA without a viable adjustment program. Moreover, the likelihood of overplanting for the coming year and depressed prices presented Congress and USDA with the problem of finding a new approach before the spring planting season. USDA officials and representatives of farmers recommended to Congress that farmers be paid for voluntarily shifting acreage from soil-depleting surplus crops into soil-conserving legumes and grasses. The Soil Conservation and Domestic Allotment Act, approved on February 29, 1936, combined the objective of promoting soil conservation and profitable use of agricultural resources with that of reestablishing and maintaining farm income at fair levels. For the first time, the goal of income parity, as distinguished from price parity, was introduced into legislation. It was defined as the ratio of purchasing power of the net income per person on farms to that of the income per person not on farms which prevailed during the August 1909-July 1914 period.

President Roosevelt stated a third major objective: "the protection of consumers by assuring adequate supplies of food and fiber." Under a program launched on March 20, 1936, farmers were offered soil-conserving payments for shifting acreage from soil-depleting crops to soil-conserving crops. Payments for seeding soil-building crops on cropland and for carrying out approved soil-building practices on cropland or pasture were also offered.

Crop production fell due to a severe drought in 1936 and obscured the fact that planted acreage of the crops which had been classified as basic increased despite the soil conservation program. The recurrence of normal weather, crop surpluses, and declining farm prices in 1937 focused attention on the failure of the conservation program to bring about crop reduction as a byproduct of better land use.

The supply and price situation was particularly serious for cotton. Prices were falling sharply. Faced with a large crop and prospects for a world carryover of 17 or 18 million bales (about the same as the record carryover of 1932), producers felt threatened by another serious depression. They demanded loans and price adjustment payments. Congress responded on August 24, 1937, by making $130 million available for cotton price adjustment payments to producers agreeing to abide by the 1938 program. The program provided for payments of the difference between 12 cents a pound and the average price on the day of sale but not to exceed 3 cents a pound. Because of limited funds, payments were made on 65 percent of each producer's 1937 base.

SUGAR ACT OF 1937

The Hoosac-Mills decision of January 6, 1936, while invalidating the use of production adjustment contracts and the use of processing taxes, had left the quota system established under the Jones-Costigan Sugar Act intact. The use of quotas alone had resulted in a redistribution of the aggregate income of the sugar industry in a manner detrimental to the interests of growers and agricultural laborers. The President recommended new legislation to remedy the situation.

The Sugar Act of 1937 was in many respects similar to the Jones-Costigan Act. An excise tax payable into the general fund of the Treasury, was substituted

for the processing tax. Benefit payments, most as conditional payments since growers had to observe certain specified conditions, were to be made from funds appropriated by Congress. The conditions required to qualify a producer for payments involved the elimination of child labor except for the children of the producer's family; the payment of fair and reasonable wages; the preservation and maintenance of the soil fertility; not marketing more than the farm's proportionate share of the quota of the area in which it was located; and, if the producer were also a processor, the payment of fair and reasonable prices for the sugarcane or sugarbeets purchased from other producers. In addition, there were provisions permitting abandonment and deficiency payments in the event of certain natural calamities.

Quotas for the various producing areas were specified as percentage of consumption areas. The quota for mainland cane sugar in the 1937 Act was more than 50 percent above that in the 1934 Act because of increased production potential. There were slight decreases in the percentage quotas for other areas. The principal economic effect of the U.S. sugar quota system was to effectively separate sugar prices in domestic areas from those in the rest of the world.

In 1937, 21 countries, representing 85 to 90 percent of the world's sugar production and about 85 percent of the consumption, signed the International Sugar Agreement (ISA). Importing countries agreed to limit expansion of their domestic sugar industries, while exporting nations agreed to observe their marketing quotas. The agreement had no specific price provisions and was to remain in effect for 5 years; however, the agreement became inoperative shortly after the outbreak of World War II. In 1954, a new agreement, renewed in 1958 and 1969, was signed.

AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

After the Supreme Court's action in 1936, Congress passed legislation in 1937 to clarify the legal status of marketing agreements and orders, first authorized by the Agricultural Adjustment Act of 1933. Marketing agreements and orders were different for two general types of commodities (milk and other commodities) because of the great difference in industry marketing problems.

Milk regulations involved (1) classification according to use, and (2) fixing the minimum prices handlers must pay to producers for the various uses. Prices of milk for fluid distribution were set at a higher level than prices for other uses.

Regulations for other commodities (primarily fruits, vegetables, and tree nuts) approached the problem of producers' prices indirectly. Quantity, quality, and rate of shipment to market could be controlled, and prices received by producers were indirectly affected.

AGRICULTURAL ADJUSTMENT ACT OF 1938

In the summer of 1936, USDA officials and farm organization representatives began working on plans for new legislation to supplement the Soil Conservation and Domestic Allotment Act. The Agricultural Adjustment Act of 1938, approved February 16, 1938, combined the conservation program of the 1936 legislation with new features designed to meet drought emergencies as well as price and income crises resulting from surplus production. This law used the term

"parity" for the first time in legislation, referring to parity prices and parity income for the producers of cotton, wheat, corn, tobacco, and rice.

The Soil Conservation and Domestic Allotment Act of 1936 was reenacted with some modifications as a major part of the new legislation. Modifications included provisions for acreage allotments for corn, cotton, rice, tobacco, and wheat; specific direction with respect to the establishment and use of State and local committees; provisions to safeguard tenants' share of payments; specific provisions on the allocation of payments; provision for increasing the size of payments on small farming operations; limitation of $10,000 on the size of payments; and a special amendment for the protection of dairy, livestock, and poultry producers from undue competition resulting from the conservation payment program. In this act (Title III), Congress created the first comprehensive legislation dealing with price support. To avoid further objections by the Supreme Court, marketing control was substituted for direct production control, authority was based on congressional power to regulate interstate and foreign commerce, and processing taxes were dropped.

The legislation's new features included mandatory nonrecourse loans for cooperating producers of corn, wheat, and cotton under certain supply and price conditions (if marketing quotas had not been rejected) and loans at the option of the Secretary of Agriculture for producers of other commodities; marketing quotas to be proclaimed for corn, cotton, rice, tobacco, and wheat when supplies reached certain levels; referendums to determine whether the marketing quotas proclaimed by the Secretary should be put into effect; crop insurance for wheat; and parity payments, if funds were appropriated for producers of corn, cotton, rice, tobacco, and wheat, in amounts which would provide a return as nearly equal to parity as the available funds would permit. These payments were to supplement and not replace other payments.

In addition to payments authorized under the continued Soil Conservation and Domestic Allotment Act for farmers in all areas and as part of a restoration land program initiated in 1938, special payments were made in 10 States to farmers who cooperated in a program to retire land unsuitable for cultivation. The goals of the legislation were the attainment of parity prices and parity income insofar as practicable and the assurance of adequate reserves of food, feed, and fiber for the consumer.

The new provision of the legislation stressed by the Secretary of Agriculture was the ever-normal granary plan of balanced abundance made possible by the nonrecourse loans on corn, wheat, and cotton. These loans were to serve the dual purpose of placing a plank under farm prices when threatened by a sharp decline, and of financing farmers in holding supplies until they were needed. Systematic storage was to serve as the basis of an ever-normal granary plan to protect both farmers and consumers.

This feature of the act was closely linked in concept with the all-risk crop insurance program enacted as a separate title of the Agricultural Adjustment Act of 1938. The crop insurance program was limited to wheat for 1938 but was to be extended to other crops in future years. The objective of the crop insurance program was to protect wheat producers from the hazard of crop failures from unavoidable causes, while the adjustment program protected them from the hazards of surpluses and depression prices. Insurance in kind, coupled with the holding of premium reserves in wheat, linked the crop insurance plans to the ever-normal granary resources to be built through commodity loans. In practice, premiums and indemnities were computed in bushels of wheat but were paid in cash. The field organization of the

Agricultural Adjustment Administration had responsibility for carrying out the crop insurance program.

Other provisions of the 1938 Act included authorization for the establishment and maintenance of four regional research laboratories to develop new uses for farm products, giving primary attention to surplus commodities, and authorization for the Secretary of Agriculture to prosecute freight rate cases affecting the transportation of farm products before the Interstate Commerce Commission. The legislation also extended the life of the Federal Surplus Commodities Corporation.

To avert another depression, which was threatening to engulf agriculture and other economic sectors in the Nation, USDA officials moved quickly to activate the new legislation. While acreage allotments were in effect for corn and cotton harvested in 1938, the legislation was too late for acreage allotments to be effective for wheat harvested in 1938, because most of this wheat (winter) had been seeded in the fall of 1937. Wheat allotments were used only for calculating benefit payments. Marketing quotas were in effect during 1938 for cotton and for flue-cured, burley, and dark tobaccos. Marketing quotas could not be applied to wheat since the act prohibited their use during the 1938-39 marketing year, unless funds for parity payments had been appropriated prior to May 15, 1938. Supplies of corn were under the level which required proclamation of marketing quotas.

On cotton and wheat loans, the Secretary had discretion in determining the rate at a level between 52 and 75 percent of parity. A loan program was mandatory for these crops if prices fell below 52 percent of parity at the end of the crop year, or if production were in excess of a normal year's domestic consumption and exports. A more complex formula regulated corn loans, with the rate graduated in relation to the expected supply, and with 75 percent of parity loans available when production was at or below normal as defined in the act. With declining farm prices, the nonrecourse loans and payments made to cotton, corn, and wheat farmers were important factors in sustaining farm income. The Secretary of Agriculture, crediting the cotton loan program with preventing a collapse of cotton prices, estimated that the price of cotton would have fallen to 4 or 5 cents a pound without the loan. The cotton loan rate for 1938 was 8.3 cents a pound, representing 52 percent of parity. Farm income was bolstered by conservation payments and by 1937 cotton price adjustment payments to producers who furnished proof of compliance with the 1938 program.

Loans for commodities other than corn, cotton, and wheat were authorized, but their use was left to the Secretary's discretion. Such commodities supported during the 1938-40 period included butter, dates, figs, hops, turpentine, rosin, pecans, prunes, raisins, barley, rye, grain sorghums, wool, winter cover crop seeds, mohair, peanuts, and tobacco.

Parity payments were made to the producers of cotton, corn, wheat, and rice who cooperated in the program. Parity payments were not made to tobacco producers under the 1939 and 1940 programs because tobacco prices exceeded 75 percent of parity. Appropriation language prohibited parity payments in this situation.

Although marketing quotas were proclaimed for cotton and rice, and for flue-cured, burley, and dark air-cured tobacco for the 1939-40 marketing year, only cotton quotas became effective. More than a third of the rice and tobacco producers participating in the referendums voted against quotas.

Without marketing quotas, flue-cured tobacco growers produced a recordbreaking crop and, at the same time, the growers faced a sharp reduction in foreign markets due to the withdrawal of British buyers about 5 weeks after the markets opened. The loss of outlets caused a shutdown in the flue-cured tobacco market. During the crisis period, growers approved marketing quotas for their 1940-41 crop, and the CCC, through a purchase and loan agreement, restored buying power to the market.

In addition to tobacco, marketing quotas were in effect for the 1941 crops of sugar, cotton, wheat, and peanuts. Marketing quotas for peanuts had been authorized by legislation approved on April 3, 1941.

Acreage allotments for corn and acreage allotments and marketing quotas for cotton, tobacco, and wheat reduced the acreage planted during the years they were in effect. For example, the acreage of wheat seeded dropped from a high of almost 81 million acres in 1937 to around 63 million in 1938, remaining below 62 million acres until 1944. Success in controlling acreage, which was most marked in the case of cotton where marketing quotas were in effect every year until July 10, 1943, and where longrun adjustments were taking place, was not accompanied by a comparable decline in production. Yield per harvested acre began an upward trend for all four crops. The trend was most marked for corn, due largely to the use of hybrid seed.

High farm production after 1937, at a time when nonfarm income remained below 1937 levels, resulted in a decline in farm prices of approximately 20 percent from 1938 through 1940. Only nonrecourse loans and payments helped to prevent a more drastic decline in farm income. Direct Government payments reached their highest levels in 1939 when they were 35 percent of net cash income received from sales of crops and livestock. They were 30 percent in 1940, but fell to 13 percent in 1941 when farm prices and incomes began their ascent in response to the war economy.

The crop insurance program included a provision during the first 2 years requiring, as a condition of eligibility, that applicants follow soil conservation practices. Crop insurance coverage could not be extended to any acreage in excess of the allotment or permitted acreage for the farm. The program also authorized the advancement of payments to be earned under the conservation program for the payment of insurance premiums. This provision was authorized by an amendment to the Soil Conservation and Domestic Allotment Act. The 1942 crop insurance program was extended to cotton in that year. Indemnities paid each year from 1939 through 1942 exceeded premiums, and because of heavy losses during the first 4 years of operation, Congress decided to call an abrupt halt to the crop insurance program. USDA's 1944 appropriation act restricted the use of crop insurance funds to liquidation of contracts for crops planted prior to July 31, 1943. However, strong administration support for crop insurance resulted in the enactment by Congress of a new and enlarged crop insurance program in December 1944.

Beginning in 1933, USDA had been developing new programs to dispose of surplus food and simultaneously raise the nutritional level of low-income consumers. The direct distribution program, which began with the distribution of surplus pork in 1933, was supplemented by a nationwide school lunch program, a low-cost milk program, and a food stamp program. The number of schools particpating in the school lunch program reached 66,783 during 1941. The food stamp program, which reached almost 4 million people in 1941, was discontinued on March 1, 1943, because of the wartime development of food shortages and relatively full employment.

WARTIME MEASURES

The large stocks of wheat, cotton, and corn which had resulted from CCC takeover of defaulted price support loans became a military reserve of crucial importance after the United States entered World War II. These stocks had brought criticism to the ever-normal granary concept; their management had been complicated by such legislative barriers as a minimum national allotment of 55 million acres for wheat, restrictions on sale of CCC stocks, and the legislative definition of farm marketing quotas as the actual production or normal production on allotted acreage. These concerns changed during the war to concern about increasing production to meet war and postwar needs.

On December 26, 1940, USDA asked farmers to revise plans and to have at least as many sows farrowing in 1941 as in 1940. Following passage of the Lend-Lease Act on March 11, 1941, Secretary of Agriculture Claude R. Wickard announced, on April 3, 1941, a price support program for hogs, dairy products, chickens, and eggs at a rate above market prices. Hogs were to be supported at not less than $9 per hundredweight.

On April 3, 1941, price support was made mandatory on peanuts at 50 to 75 percent of parity. Marketing quotas were to be proclaimed when supplies reached certain levels and approval of a quota program by producer referendum was required.

To insure that farmers shared in the profits that defense contracts were bringing to the U.S. economy and as an incentive to wartime production, Congress decided that new legislation was needed. A joint resolution, approved on May 26, 1941, raised the loan rates of cotton, corn, wheat, rice, and tobacco, for which producers had not disapproved marketing quotas, up to 85 percent of parity. These loan rates were available on the 1941 crop.

The act was amended on December 26, 1941, to add peanuts to the list of commodities and to extend the high loan rates through the 1946 crop year. Legislation raising the loan rate for basic commodities was followed by the Steagall Amendment to an act which extended the life of the CCC (approved July 1, 1941). This legislation directed the Secretary to support, at not less than 85 percent of parity, the prices of those nonbasic commodities for which he found it necessary to ask for an increase in production.

The rate of support was raised to not less than 90 percent of parity for corn, cotton, peanuts, rice, tobacco, and wheat, and for the Steagall nonbasic commodities, by an amendment to the Emergency Price Control Act of 1942, approved on October 2, 1942. However, the rate of 85 percent of parity could be used for any commodity if the President should determine the lower rate was required to prevent an increase in the cost of feed for livestock and poultry and in the interest of national defense. This determination was made for wheat, corn, and rice. Since the price of rice was above the support level, loans were not made. The following nonbasic commodities were entitled to 90 percent of parity: manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, Irish potatoes, and sweet potatoes. Under the provisions of this legislation, the supports for both basic and nonbasic commodities continued for 2 years after the declaration of the end of hostilities. In all, by the mid-1940s, well over 100 commodities were being supported.

The price support rate for cotton was raised to 92.5 percent of parity and for corn, rice, and wheat to 90 percent of parity by the Stabilization Extension Act of 1944. Since the price of rice was far above its support level, loan rates were not announced. The Surplus Property Act of October 3, 1944, raised the price support rate for cotton to 95 percent of parity with respect to crops harvested after December 31, 1943, and those planted in 1944. CCC purchased cotton at the rate of 100 percent of parity during 1944 and 1945.

In addition to price support incentives for the production of crops needed for lend-lease and for military use, USDA gradually relaxed penalties for exceeding acreage allotments, provided the excess acreage was planted to war crops. In some areas during 1943, deductions were made in adjustment payments for failure to plant at least 90 percent of the special war crop goals. Marketing quotas were retained on wheat until February 1943. With the discontinuance of marketing quotas, farmers in spring wheat areas were urged to increase wheat plantings whenever the increase would not interfere with more vital war crops. Quotas were retained on cotton until July 10, 1943, and on fire-cured and dark air-cured tobacco until August 14, 1943. Quotas for peanuts were suspended for the 1943 crop, and none were proclaimed until 1948. With controls removed, the adjustment machinery was used to secure increased production for war requirements and for postwar needs of people abroad.

Legislation approved on July 28, 1945, required that the support rates on fire-cured tobacco be 75 percent of the rate for burley and the support rate for dark air-cured and Virginia sun-cured tobacco be 66.4 percent of the burley rate.

POSTWAR PRICE SUPPORTS

As the end of the war approached, farmers and Government officials began to worry again that high wartime production and productivity gains from greater use of fertilizers and machinery would mean a return to surpluses and depressed prices. The Steagall Amendment guaranteed continued high price supports for 2 years after the official cessation of hostilities, a declaration which President Truman made on December 31, 1946. Without a change in the law, price support levels for basic commodities after that date would drop back to a range of 52 to 75 percent of parity as provided in the Agricultural Adjustment Act of 1938, with only discretionary support for nonbasic commodities.

Two opposing viewpoints developed about the direction price supports should take. One was to extend the wartime system of high, fixed price support; the other was to return to the prewar system of flexible price support in accordance with existing supplies. The Agricultural Act of 1948, as finally passed, was a compromise between the viewpoints expressed by leaders of the two groups, Representative Clifford R. Hope of Kansas and Senator George D. Aiken of Vermont. Price supports were, in general, to remain high and fixed under the first year of the act; thereafter they would be flexible and mostly lower. Title I continued mandatory price support at 90 percent of parity for the 1949 crops of wheat, corn, rice, peanuts used as nuts, cotton, and tobacco marketed before June 30, 1950, if producers had not disapproved marketing quotas. Similar support was also provided for hogs, chickens, eggs, and milk through December 31, 1949. Potatoes harvested before January 1, 1949, were to be supported at 90 percent of parity, while the following year the rate was to be not less than 60 percent of parity nor more than the 1948 level. Some

Steagall Amendment commodities which had fallen under the guarantee of 90 percent of parity for 2 years after the war--including beans, dry peas, turkeys, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, and sweet potatoes--were to be supported under the Agricultural Act of 1948 at not less than 60 percent of parity. Wool, which under an August 5, 1947, law had already had its 1946 average support levels of 42.3 cents per pound extended to the end of 1948, received further support at that level through June 30, 1950. If funds were available, price support was authorized for additional commodities through December 31, 1949, at a fair relationship with other commodities receiving support. The act permitted the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for price support.

In addition, the parity formula was revised in 1948 to make parity prices dependent upon the relationships among farm and nonfarm prices during the most recent 10-year period. This revision was made to adjust for changes in productivity and other factors which had occurred since the base period 1910-14. Its effect was to lower the parity price for some basic commodities while raising it for livestock, rice, and certain varieties of tobacco. The new parity formula was to be phased in gradually starting January 1, 1950; commodities due to fall in parity would be limited to a 5-percent annual drop until the new parity level was reached.

Title II of the Agricultural Act of 1948 would have provided a sliding price support scale for the basic commodities (with the exception of tobacco) when quotas were in force, beginning with 1950 crops, but it never became effective. The Act of 1948 was superseded by the Agricultural Act of 1949 on October 31, 1949.

Debate on postwar policy continued in 1949. A USDA seminar was organized early in the year to study alternative price support programs. As a result of this review and other studies, an innovative set of proposals evolved which became known as the Brannan Plan, named after Secretary of Agriculture Charles F. Brannan.

The Brannan Plan, presented to a joint session of the House and Senate Committees on Agriculture on April 7, 1949, would have allowed prices to be determined by the marketplace while protecting farm income through payments similar to the deficiency payments of the 1973 Act. The Brannan Plan proposed: (1) the use of an income standard, based on a 10-year moving average beginning with the years 1938-47, rather than parity as a method of computing price-support levels for farm products; (2) support for major products, called Group I commodities, at full income standard levels; (3) support for the incomes of growers of perishable commodities by direct Government payments equal to the difference between the prices received in the market and the support price established; (4) restriction of supports to large-scale farmers to what an efficient family farm unit could produce; and (5) requirement of compliance with approved conservation practices and production or marketing controls in order to receive benefits. The Brannan Plan, though widely debated, was not adopted by Congress, largely because of its projected cost and because of the opposition of larger farmers to limits on supports.

The Agricultural Act of 1949, approved October 31, 1949, was a further victory for supporters of high, fixed price supports. Instead of shifting to flexible supports as planned in the Agricultural Act of 1948, the 1949 Act continued support prices another year for basic commodities at 90 percent of parity in

1950 and between 80 and 90 percent in 1951 if acreage allotments or marketing quotas were in effect, except for tobacco. For the 1952 and succeeding crop years, cooperating producers of basic commodities (if they had not disapproved marketing quotas) were to receive support prices at levels varying from 75 to 90 percent of parity, depending upon the supply.

Price support for wool, mohair, tung nuts, honey, and Irish potatoes was mandatory at levels ranging from 60 to 90 percent of parity. To assure an adequate supply, whole milk and butterfat and their products were to be supported at a level between 75 and 90 percent of parity. Price support was to be carried out by loans on, or purchases of, milk and products of milk. Wool was to be supported at between 60 and 90 percent of parity in order to encourage an annual production of 360 million pounds of shorn wool.

Price support was authorized for any other nonbasic commodity at any level up to 90 percent of parity, depending upon the availability of funds and other specified factors, such as perishability of the commodity and ability and willingness of producers to keep supplies in line with demand.

Prices of any agricultural commodity could be supported at a level higher than 90 percent of parity if the Secretary determined, after holding a public hearing, that the higher price support level was necessary to prevent or alleviate a shortage in commodities essential to national security.

The Agricultural Act of 1949 amended the modernized parity formula of the Agricultural Act of 1948 to add wages paid hired farm labor to the parity index and to include wartime payments made to producers in the prices of commodities and in index of prices received. These changes generally meant higher parity prices. To ease the transition to the new formula, the effective parity price for basic commodities through 1954 could be either the old or the modernized version, whichever was higher. For many nonbasic commodities, the modernized parity price became effective in 1950.

The act also set up loans to cooperatives for the construction of storage facilities, made certain changes with respect to acreage allotment and marketing quota provisions, and directed that Section 32 (see page 10) funds be used principally for perishable, nonbasic commodities. The act added some new quota provisions on the sale of commodities held by the CCC. As before, prices were to be supported by loans, purchases, or other means. The Agricultural Act of 1949 became the last major agricultural act not to have an expiration date. Though amended often since its passage, it, along with the Agricultural Adjustment Act of 1938, still constitutes the basic authority for Government price-support operations.

Under authority of the Agricultural Act of 1949, price supports for basic commodities were maintained at 90 percent of parity through 1950. Supports for nonbasic commodities were generally at lower levels during 1949 and 1950 than in 1948 whenever this was permitted by law. Price supports for hogs, chickens, turkeys, extra-long staple cotton, dry edible peas, and sweet potatoes were discontinued in 1950.

In 1949, a new effort was launched to stabilize overseas wheat trade in the form of the International Wheat Agreement, approved by the Senate on June 13, 1949. The agreement, between the governments of 4 major wheat exporting countries (Australia, Canada, France, and the United States) and 37 wheat importing countries, involved annual trade in 456 million bushels of wheat over a 4-year period beginning August 1, 1949. Prices were established within

a fixed range. The agreement was renewed periodically in the 1950s through 1970s and gradually more countries joined on the export side, with proportional increases in the quota. By the fall of 1960, 34 importing and 9 exporting countries were participating.

Meanwhile, important developments were occurring in the marketing of sugar. The Sugar Act of 1948 reenacted the import quota system of 1937 and became the basic legislation on the subject until it expired in 1974. Domestic sugar was assigned fixed tonnage quotas by area instead of percentages of the general quota and mainland areas received a proportionately larger share than before. A new International Sugar Agreement was concluded in 1953 based on the 1937 agreement. The quota and price provisions were revised by the adoption of a protocol in 1956 for the years 1957 and 1958. A revision was made in 1958 which adjusted upward the total basic export quotas. As a result of declining sugar prices in 1959, the International Sugar Council reduced permitted marketings to 80 percent of the basic quotas. An adjustment in 1960 permitted marketings at 85 percent of basic quotas. U.S. imports from Cuba were terminated in 1960. Due to disagreements with Cuba, the quota system was allowed to expire in 1961. The ISA was revised and reactivated on January 1, 1969, for 5 years.

KOREAN WAR

The outbreak of the Korean War on June 25, 1950, caused a further postponement in the implementation of flexible price supports as the Department moved to insure that production would remain high during the war. Secretary Brannan used the national security provision of the act to keep price support levels at 90 percent of parity for all basic commodities except peanuts. The price support rate for peanuts was raised to 90 percent for 1952. Because of the war, neither acreage allotments nor marketing quotas were in effect for the 1951 and 1952 crops of wheat, rice, corn, or cotton. Allotments and quotas were in effect for peanuts and most types of tobacco. The Defense Production Act of 1950, which authorized price controls, made an important concession to agriculture by requiring that, if controls were put on farm prices, they could be no lower than full parity.

Prices of oats, barley, rye, and grain sorghums were supported at 75 percent of parity in 1951 and 80 percent in 1952. Naval stores, soybeans, cottonseed, and wool were supported both years at 90 percent, while butterfat was increased to 90 percent for the marketing year beginning April 1, 1951. Price support for potatoes was discontinued in 1951 in accordance with a law of March 31, 1950, which prohibited price support on the 1951 and subsequent crops unless marketing quotas were in effect. Congress never authorized the use of marketing quotas for potatoes. On March 28, 1952, Congress repealed the authorization to market peanuts for oil in excess of marketing quotas without paying a penalty.

The Korean War strengthened the case of congressional leaders who did not want flexible price supports to become effective for basic commodities. Legislation of June 30, 1952, to amend and extend the Defense Production Act of 1950, provided that price support loans for basic crops to cooperators should be at the rate of 90 percent of parity, or at higher levels, through April 1953, unless producers disapproved marketing quotas.

The period for mandatory price support, at 90 percent of parity for basic commodities, was again extended by legislation approved on July 17, 1952. The

legislation covered the 1953 and 1954 crops of basic commodities if the producers had not disapproved marketing quotas and also extended, through 1955, the requirement that the effective parity price for the basic commodities should be the parity price computed under the new or the old formula, whichever was higher. Extra-long staple cotton was made a basic commodity for price support purposes.

TOWARD FLEXIBLE PRICE SUPPORTS

At the end of the Korean War in 1953, the specter of surpluses once again dominated agricultural policymaking. The debate over levels of support (high and fixed versus a flexible scale) was renewed. The administration of Secretary Ezra Taft Benson increasingly favored flexible supports which would drop as supplies increased. Most Congressmen from agricultural districts, on the other hand, wanted to continue fixed supports. A growing number of agricultural economists moved from their near unanimous preference for flexible supports in the late 1940s to a belief that only strong production controls and high price supports could assure acceptable farm income in a period of growing productivity.

For the immediate postwar period, USDA commodity programs continued much as before. Support levels for basic crops remained at 90 percent of parity for 1953 and 1954. Secretary Benson proclaimed marketing quotas for the 1954 wheat and cotton crops on June 1, 1953, and October 9, 1953, respectively. The major types of tobacco and peanuts continued under marketing quotas. Quotas were not imposed on corn but corn acreage allotments were reinstated in 1954 for the first time since before World War II (with the brief exception of 1950). The Secretary announced on February 27, 1953, that dairy prices would be supported at 90 percent of parity for another year beginning April 1, 1953.

In 1954, however, the Eisenhower administration moved to implement its own program. The President's message on January 11, 1954, urged the adoption of flexible supports for basic commodities ranging between 75 and 90 percent of parity, depending on supply, so farmers would be discouraged from overplanting. He also asked that export programs be strengthened to reduce surpluses and that part of the Government-owned surpluses be isolated from the market to prevent them from depressing prices.

Exports received the first attention from Congress when the Agricultural Trade Development and Assistance Act, better known as Public Law 480, was approved July 10, 1954. This act, which proved to be of major importance in disposing of farm products abroad, served as the basic authority for selling surplus agricultural commodities for foreign currency, for emergency relief shipping, and for bartering farm products for strategic material.

Flexible price supports came only after much debate in Congress. The Agricultural Act of 1954, approved August 28, 1954, established flexible supports for basic commodities ranging from 82.5 to 90 percent of parity for 1955 and from 75 percent to 90 percent thereafter; an exception was tobacco, which was to be at 90 percent of parity when marketing quotas were in effect. As before, most other commodities could be supported at up to 90 percent of parity at the Secretary's discretion. Corn marketing quotas were dropped completely. The transition to flexible support was to be eased by setting aside $2.5 billion in CCC holdings of basic commodities as a reserve which would not be counted in figuring price support levels. These reserves were to be disposed of by export, donation, disaster relief, and other means. Special

provisions were added for various commodities. One of the most interesting, under the National Wool Act, allowed two methods of supporting wool. One was the usual price support method; the other (the one actually used) permitted direct income payments equal to the difference between the price received and a support level determined by the Government, a mechansim reminiscent of the Brannan Plan. Dairy received support in the 75-90 percent of parity range.

SOIL BANK

By the mid-1950s, production had risen to the point where both Congress and the administration felt it necessary to try a larger acreage reduction program. The Soil Bank, established by the Agricultural Act of 1956, was the result. Similar in some respects to programs of the 1930s, in which farmers were paid for conserving practices, the program was divided into two parts: an acreage reserve and a conservation reserve. The specific objective of the acreage reserve was to reduce the amount of land planted to allotment crops: wheat, cotton, corn, tobacco, peanuts, and rice. Traditional acreage allotments permitted land withdrawn from one crop to be planted in others. Under the Soil Bank, farmers cut land planted to these crops below established allotments, or, in the case of corn, their base acreage, and received payments for the diversion of such acreage to conserving uses. In 1957, 21.4 million acres were in the acreage reserve. The acreage reserve ended in 1958 after criticism of its high cost and its failure to significantly cut production.

All farmers were eligible to participate in the conservation reserve by designating certain cropland for the reserve and putting it to conservation use. A major objection to this plan in some areas was that communities were disrupted when many farmers placed their entire farms in the conservation reserve. On July 15, 1960, 28.6 million acres were under contracts for a maximum of 10 years. After this, the amount steadily declined until the last land left the reserve in 1972.

The 1956 Act also began a two-tiered price support system for rice which pegged export rice at a lower level than rice for domestic use. Corn producers were given a choice between joining the Soil Bank program with full supports, not joining it and accepting a smaller allotment, or not complying with their allotments but still being eligible for a lower price support. Cottonseed and soybean supports, when offered, were to be balanced in a way that insured equal competition.

The Agricultural Act of August 28, 1958, made further adjustments in price support programs. For 1959 and 1960, each cotton farmer had the choice between (a) a regular acreage allotment and price support, or (b) an increase of up to 40 percent in allotment with price support 15 points lower than the percentage of parity set under (a). After 1960, cotton was to be under regular allotments, supported between 70 and 90 percent of parity in 1961, and between 65 and 90 percent after 1961.

Feed grain farmers were given the option of voting either to discontinue acreage allotments for 1959 and subsequent crops and receive supports at 90 percent of the average farm price for the preceding 3 years, but at not less than 65 percent of parity, or to keep acreage allotments with supports between 75 and 90 percent of parity. The first proposal was adopted for an indefinite period in a referendum held November 25, 1958. Price support for most feed grains became mandatory.

The rice program continued under the 1958 Act but with lower minimum supports. For 1959 and 1960, supports could range between 75-90 percent of parity; in 1961, they could drop to 70 percent and in 1962 and following years to 65 percent.

FARM PROGRAMS IN THE 1960s

By 1960, the high, fixed price supports of the 1940s and early 1950s had given way to flexible and generally lower levels of support for the basic crops. Wheat and cotton supports for 1960 were at 75 percent of parity compared with 90 percent in the early 1950s; corn supports stood at 65 percent. The Government had also begun to move away from acreage allotments to control the production of some crops by taking land out of production through diversions for conservation purposes. However, neither the lowering of price supports nor the diversion of acreage had stemmed the tide of ever-increasing output. Farmers in 1960 were in the midst of a technological revolution that was decreasing the number of farmers while greatly augmenting the productivity of those remaining on the land. Increased use of fertilizers, pesticides, farm machinery, and improved seeds along with greater specialization enabled farmers to set new production records. Yields of wheat, for example, rose from 17 bushels per acre in 1945 to 26.1 bushels in 1960. Corn yields similarly advanced 65 percent, cotton 76 percent, and dairy (milk per cow) 47 percent in the same years.

Thus, by 1960 the surplus problem had reached crisis proportions. Total carryover of corn stocks had climbed to an all-time high of 1.8 billion bushels in 1960; the wheat carryover stood at 1.4 billion bushels, nearly all of which was held by the Government. Supplies of barley, grain sorghum, and some other crops were also near historically high levels. A good harvest in 1960 was expected to add even more to the carryover. Meanwhile, prices and farm income had been steadily falling from the high levels of the Korean War period. Corn prices were down to a season average $1.00 per bushel in 1960, the lowest level since 1942. The same could be said for wheat, where the average $1.74 received by farmers was lower than any year since 1945. Grain sorghum, barley, rye, and rice were also selling for less than at any time since the 1940s; cotton and oats were priced below their average for the 1950s. The effect of these prices on farm income was clear. The $12 billion net farm income figure for 1960 remained near the low levels reached during the mid-1950s and was well below the $15.2 billion average of the 1946-52 period.

The Kennedy administration, which took office in January 1961, held very different views of farm policy than did the Eisenhower administration. The new Secretary, Orville Freeman, believed that tighter production controls and higher levels of support were necessary to raise income and reduce surpluses. If producers would agree to mandatory controls, Freeman felt, Government expenditures would decline along with surpluses.

The administration's first major action was an emergency proposal aimed at meeting the grain surplus problem. On March 22, 1961, Congress gave the Secretary authority to begin a payment-in-kind program through which farmers who agreed to reduce their plantings of corn and grain sorghum by 20 percent would receive the basic county support rate on 50 percent of their normal yield in the form of cash or negotiable certificates which the CCC would either redeem in grain or assist farmers in selling. The Secretary chose to make payments in certificates rather than cash. Farmers who took an

additional 20 percent out of production would receive certificates for that portion at a 60-percent rate. Most farmers chose to have the CCC market their grain rather than take delivery. Grain stocks declined sharply and over the next few years the program was expanded to include barley and oats.

Meanwhile, Kennedy sent to Congress his proposal for a long-term agricultural program to phase out existing regulations. He set forth a plan for mandatory production controls to be drawn up by committees of farmers and approved by a two-thirds vote of the producers. This, in effect, would have taken much of the power to write agricultural policy from Congress and given it to the executive branch and producer committees. The new plan could be extended to any commodity if farmers approved. Unlike the marketing quotas of 1938, moreover, the new controls would be based on the quantity produced, not acreage allotments. The administration expected that mandatory controls would reduce both storage and price support costs while raising farm income. Congress and most farm organizations, however, disliked the idea of mandatory programs because of the politically unpopular restraints they imposed on farmers and because there was no guarantee that farmers would be compensated for reducing acreage. The Kennedy plan never made it out of committee.

The farm bill which did emerge from Congress, the Agricultural Act of 1961 (August 8, 1961), broke little new ground. It continued the corn and grain sorghum payment-in-kind program of the March 1961 Act for another year and added barley to it. A new wheat program continued supports at 75 percent of parity but required a 10-percent cutback in acreage with the option of payments in return for greater reductions. The act also authorized marketing orders for peanuts, turkeys, cherries, cranberries for canning or freezing, and apples produced in specified States. The National Wool Act of 1954 was extended for 4 years and Public Law 480 was extended through December 31, 1964.

The Kennedy administration also showed a renewed interest in the problems of rural poverty and the possibilities of disposing of surpluses through donations of food to the poor. President Kennedy's first executive order directed the Secretary of Agriculture to immediately expand the program of food distribution to needy persons. A pilot food stamp plan was also started. In addition, steps were taken to expand the school lunch program and to make better use abroad of American agricultural abundance.

Kennedy and Freeman made another attempt in 1962 to establish mandatory controls, this time limiting them to feed grains, wheat, and dairy products. As in the previous year, however, Congress resisted and only the wheat proposal became law. The Food and Agriculture Act of 1962 (September 27, 1962) abolished the 55-million-acre minimum national allotment of wheat acreage beginning in 1964. The Secretary could set allotments as low as necessary to limit production to the amount needed. Farmers were to decide in 1963 between two systems of price supports. The first system provided for the payment of penalties by farmers overplanting acreage allotments and provided for issuance of marketing certificates based on the quantity of wheat estimated to be used for domestic human consumption and a portion of the number of bushels estimated for export. The amount of wheat on which farmers received certificates would be supported between 65 and 90 percent of parity; the remaining production would be supported at a figure based upon its value as feed. The second system imposed no penalties for overplanting, but provided that wheat grown by planters complying with allotments would be supported at only 50 percent of parity. The first option was defeated in a referendum held on May 21, 1963, but a law passed early in 1964 prevented the second alternative from becoming effective. This marked the end of the administration's drive for mandatory controls.

For feed grains, the Food and Agriculture Act of 1962 continued the voluntary acreage reduction with payments in kind that had been part of the 1961 Act. There was one important difference, however. In order to facilitate exports, price supports for 1963 corn were dropped to $1.07 per bushel (compared with $1.20 the 2 previous years). Farmers were protected by an additional 18-cent price support payment based on normal production. This payment, to be made in kind, represented a direct income supplement on top of the traditional price supports. The other payment-in-kind programs of 1961 and 1962 were continued, but payments for the optional reduction were reduced from 60 percent to 50 percent of normal yield. Other feed grains received similar treatment. Wheat, too, fell under this plan the year before the decision made in the referendum was to take effect. The 1962 Act provided supports for the 1963 wheat crop at $1.82 a bushel (83 percent of parity) for farmers complying with existing wheat acreage allotments and offered additional payments to farmers retiring land from wheat production. On May 20, 1963, another feed grain bill permitted continuation in 1964-65, with modifications, of previous legislation. The bill provided supports for corn for both years at 65 to 90 percent of parity and authorized the Secretary to require additional acreage diversion.

The Agricultural Act of 1964, approved April 11, 1964, affected primarily cotton and wheat. The Secretary of Agriculture was authorized to make subsidy payments to domestic handlers or textile mills in order to bring the price of cotton consumed in the United States down to the export price. Each cotton farm was to have a regular and a domestic cotton allotment for 1964 and 1965. Farmers complying with their regular allotment were to have their crops supported at 30 cents a pound (about 73.6 percent of parity). Farmers planting only their domestic allotment would receive support prices up to 15 percent higher (the actual figure in 1964 was 33.5 cents a pound).

The 1964 Act also set up a voluntary wheat-marketing certificate program for 1964 and 1965. Like the earlier feed grains programs, farmers who complied with acreage allotments and agreed to participate in a land-diversion program would receive price supports and land-diversion payments, while noncompliers would receive no benefits. In addition, growers were given marketing certificates, the value of which depended on whether the wheat was destined for domestic or foreign consumption. Wheat food processors and exporters were required to make prior purchases of certificates to cover all the wheat they handled. Price supports, including loans and certificates, for the producer's share of wheat estimated for domestic consumption (in 1964, 45 percent of a complying farmer's normal production) would be set at 65 to 90 percent of parity. The actual figure in 1964 was $2 a bushel, about 79 percent of parity. Price supports, including loans and certificates, on the production equivalent to a portion of estimated exports (in 1964, also 45 percent of the normal production of the farmer's allotment) could be anywhere from 0 to 90 percent of parity. The export support price in 1964 was $1.55 a bushel, about 61 percent of parity. The remaining wheat could be supported from 0 to 90 percent of parity; in 1964 the support price was $1.30, about 52 percent of parity. Price supports through loans and purchases on wheat generally reached an around the world market price of $1.30 per bushel in 1964, while farmers participating in the program received negotiable certificates which the CCC agreed to purchase at face value to make up the differences in price for their share of domestic consumption and export wheat. The average national support through loans and purchases on wheat in 1965 was $1.25 per bushel.

In 1964, a dairy indemnity program was authorized. Under this program, USDA made payments to dairy farmers who were directed to remove their milk from

commercial markets because it contained residues of chemicals registered and approved by the Federal Government.

A law of April 16, 1965, provided for acreage-poundage farm marketing quotas on flue-cured tobacco. When such quotas were in effect, price support was to be available on, and not to exceed, 110 percent of the farm quota. In the case of burley, tobacco price support was to be available on up to 120 percent of the farm quota. Marketing quotas have been in effect for most types of tobacco since 1965.

FOOD AND AGRICULTURE ACT OF 1965

The Food and Agriculture Act of 1965 (November 3, 1965) consolidated and expanded the programs of the previous 4 years. The administration had asked for a bill that would pass on most of the cost of the wheat, rice, and wool programs to consumers. Emerging instead was a more traditional bill and a compromise that brought a temporary end to the sharp political fighting that had characterized farm bills for so many years. The 1965 Act took the voluntary acreage control program for feed grains with price supports set close to world levels and extended it to wheat and cotton. The whole package, moreover, was contained in a single, 4-year omnibus farm bill, rather than individual, short-term bills for each crop, as had been common over the past few years. As it turned out, most provisions of the 1965 Act were extended 1 year more through 1970 due to the change in administration in 1969. This brought greater stability to agricultural policies than had been seen in many years.

The new cotton plan substantially lowered price support loans to 90 percent of estimated world price levels, thus making payments to mills and export subsidies under previous acts unnecessary. All farmers in the program were required to divert at least 12.5 percent of their acreage allotments in return for payments and could elect to divert more. Farmers with allotments under 10 acres received diversion payments even if they did not reduce their plantings. Legislation approved August 11, 1968, provided lower price support loans for extra-long staple cotton as well, supplemented by price support payments. The objective was to bring the price of this type of cotton in line with the price of upland cotton so that it could be sold on the market rather than sold to, and held by, the CCC.

The voluntary wheat certificate program, begun in 1964, was extended with only limited changes. Domestic certificate payments were raised so, when added to the loan rate, they equalled 100 percent of parity; export certificates were dropped. The feed grains program, with payment-in-kind provisions for diverting acreage, continued with few changes. The rice program was continued, but an acreage diversion program similar to wheat was to be effective whenever the national acreage allotment for rice was reduced below the 1965 figure of 1.8 million acres.

In addition to acreage diversions within the commodity provisions, the Food and Agriculture Act of 1965 established a cropland adjustment program. The Secretary received the authority to make 5- to 10-year contracts with farmers who agreed to convert cropland into uses which would conserve water, soil, wildlife, or forest resources; or establish or protect open spaces, natural beauty, or wildlife or recreational resources; or prevent air or water

pollution. Payments were to be not more than 40 percent of the value of the crop that would have been produced on the land. Contracts entered into in each of the next 4 fiscal years could not obligate more than $225 million per calendar year.

Milk was another commodity covered. After producers in a milk marketing area had approved an overall plan authorized by this legislation, dairy producers in a milk marketing area each received a fluid milk base, thus permitting them to cut surplus production. The Wool Act of 1954 was extended 4 years and supports were linked to the parity index of the previous 3 years in order to better reflect changes in the cost of production.

AGRICULTURAL ACT OF 1970

With the advent of the Nixon administration in 1969, the new Secretary of Agriculture, Clifford Hardin, began an extensive review of price support programs in consultation with Congress and farm organizations. The outcome, though, was more a shift in emphasis than a major departure from the policies of the 1960s. Programs of the 1960s had helped raise farm income and reduce the carryover stocks of several major commodities. Output, however, began creeping up again after the initial acreage reduction of 1961-62 due to improved productivity. The steady rise in exports during the 1960s, especially for grains, did much to absorb extra production. Secretary Hardin wanted a more market-oriented farm policy which would further expand exports, reduce Government costs, and allow more flexible acreage reduction. Most farm groups preferred better guarantees of Government income support. In the Agricultural Act of 1970, farm groups had little difficulty in retaining minimum supports for crops, but the Secretary won a more flexible approach to supply control. The act relaxed planting restrictions by replacing acreage diversions on specific crops with a general set aside that called for reduced plantings but did not spell out which crops had to be cut back. The only crops farmers could not plant were so-called quota crops where acreage was controlled by earlier legislation: rice, sugar, peanuts, tobacco, and extra-long staple cotton. This allowed farmers more leeway in choosing crops to take advantage of the steady increase in agricultural exports that had been occurring over the prior decade. The other major change was a limit on total Government payments (for price supports, diversions, etc.) per farmer to $55,000 for each crop. This was in response to growing worries about high Government expenditures for agricultural programs, which had reached a new peak of $3.8 billion in 1969. There was also concern about the very large payments that some farmers were receiving. For the most part, though, the 1970 Act continued the voluntary price support and acreage reduction programs of the 1960s. Its provisions extended 3 years, through the 1973 crop year.

The feed grain program covered corn, grain sorghum, and barley if designated. The two-tiered system of supports with minimum loan levels and an additional price support payment continued in the 1970 Act. Price supports on corn were to be the higher of $1.35 per bushel or 70 percent of the parity price for corn on October 1, and the loan not less than $1.00 nor more than 90 percent of parity as determined by the Secretary. Producers would receive payments equal to the difference between the support price and market price on half their base production. Rye and oat farmers were eligible for loans but not price support payments. Producers, in order to be eligible for payments, loans, and purchases, were to set aside specified acreages of cropland for approved conservation uses if a set aside program were in effect. Under the new act, grain farmers with fewer than 25 acres did not receive special treatment.

Wheat loans were available to participants at not less than $1.25 per bushel for 1971 through 1973 and could range up to 100 percent of parity, which was $2.85 in 1970. Likewise, farmers who set aside land for conservation use equal to a specified percentage of the domestic wheat allotment, in addition to an acreage equal to the farm conserving base, would become eligible for their share of domestic marketing certificates covering a total of not less that 535 million bushels of wheat each year. The value of the certificates would be the difference between the wheat parity price and the average price received by farmers during the first 5 months of the marketing year.

The cotton program became a voluntary one in 1970 with the suspension of marketing quotas. As with grain farmers, cotton planters were required to set aside an amount, not to exceed 28 percent of the cotton allotment, to qualify for the price support program. The payment was to be equal to the difference between 65 percent of parity or 35 cents per pound, whichever was higher, and the average market price for the first 5 months of the marketing year, but not to fall lower than 15 cents per pound. Payments per pound for small farms were 30 percent higher than for other farms. Loans were to be available at 90 percent of the average world price for the 2 previous years.

For producers in the wheat, feed grain, and upland cotton programs, the commodity or an eligible substitute crop had to be planted, or there would be a 20-percent reduction in allotment the following year. Failure to plant the allotment or substitute crop for 3 years would result in loss of the allotment.

As for the dairy program, authority for the price plan (Class I base plans) in Federal milk market order areas was amended and extended for 3 years, except that authority would continue in effect until December 31, 1976, with respect to any Class I base plan in effect on December 31, 1973. Class I base plans operated in only two milk marketing areas. Milk was to continue to be supported at a level between 75 and 90 percent of parity, but price support for butterfat (in farm-separated cream) was discontinued. However, the CCC would continue to buy butter under the support program, and the Secretary could use his discretion in setting the buying price for butter at any level which, in combination with purchases of other milk products, would accomplish the announced support price for milk. Dairy indemnity payments were continued, with payments also authorized to manufacturers of dairy products. The Secretary's authority was extended for making available to military agencies dairy products held by the CCC.

The 1970 Act also authorized payments to beekeepers who, through no fault of their own, had suffered losses of honey bees as a result of pesticide use near or adjacent to the property on which the beehives were located.

The act extended authority for payments on wool and mohair through December 31, 1973, and established support prices of 72 cents per pound for shorn wool and 80.2 cents per pound for mohair for each year of the extension.

Authorization was continued for cropland conversion to long-term land retirement. Also authorized was "Greenspan," a program to assist local governments in preserving open space. Appropriations were authorized at a level of $10 million annually for each program, although the programs were not implemented.

Congress declared achievement of a sound rural-urban balance as public policy and provided reports on various types of technical and financial assistance. New offices and Government facilities were to be located, insofar as

practicable, in communities of lower population density. The 1970 Act also renewed provisions of Public Law 480, the Food for Peace program, through calendar year 1973.

Legislation approved April 14, 1971, provided for poundage quotas for burley tobacco in lieu of farm acreage allotments. Producers voting in a referendum approved the poundage program for the 1974-76 crop years by 98.3 percent of those voting.

AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

By 1973, the position of agriculture had changed profoundly from where it had been a decade before. World crop shortages and a falling dollar sharply escalated the trend toward greater export demand for American crops. Following the Soviet grain sale of 1972, grain exports nearly doubled between 1972 and 1973 (for the year ending September 30) and total agricultural exports increased by over 25 percent. Government grain stocks, which had hung so long over the market, were virtually liquidated. Even higher output by grain farmers was quickly absorbed by the market. For example, corn production increased by some 25 percent between the late 1960s and 1973 but Government stocks of corn disappeared completely in 1973. For the first time since the Korean War, it appeared that demand had fully caught up with supply and that demand would continue strong for at least several years. Along with strong demand, however, came higher prices and this, in turn, made it difficult to justify programs designed to limit production. The consumer price index for food (based on 1967=100) advanced from 114.9 in 1970 to 141.4 in 1973, outstripping most items in the overall CPI. Price controls on food in the early 1970s had only limited success in holding down consumer costs. Food price inflation and the growing importance of agricultural exports to the general economy made agricultural policy of greater interest than it had been for many years.

Thus, the 4-year Agriculture and Consumer Protection Act of 1973 (August 10, 1973) emphasized expanded production to respond to "ever-growing worldwide demand for food and fiber" and to hold down price increases. Secretary Earl L. Butz proclaimed that the legislation represented "an historic turning point in the philosophy of farm programs in the United States." Its emphasis on maintaining or increasing output was in marked contrast to earlier programs to curtail production of wheat, corn, upland cotton, and tobacco. To further control Government expenditures, the payment limit for price supports (though not set aside payments, loans, etc.) for grain and cotton farmers was lowered to $20,000.

A new concept of target prices was introduced to replace price support payments. Target prices were to be used only when market prices fell below target levels. Deficiency payments would be made to farmers at rates equal to the amount by which market prices fell below target prices. However, payment rates could not exceed the difference between target prices and price support loans. Target prices for 1974 and 1975 were fixed at 38 cents per pound for upland cotton, $2.05 per bushel for wheat, and $1.38 per bushel for corn with reasonable rates to be set for grain sorghum (and barley, if designated) in relation to the rate for corn.

In the setting of future target prices, the parity formula was not used as it had been in previous programs. Target prices for the 1976 and 1977 crop years would be the 1975 target prices adjusted by an index of production costs

(production items, such as fertilizer and gasoline, interest, taxes, and farm wage rates). Productivity was to be measured by comparing the most recent national 3-year average for each crop with the 3-year average ending with the preceding year.

In addition to authorizing payments to producers when prices did not reach target levels, the act provided for producer loans at levels below market prices to put greater reliance on the market place. For loan rates, the parity concept, as well as a price level per bushel, was used to determine the limit on the Secretary's discretion. The loan level for wheat was to be not less than $1.37 per bushel and not more than 100 percent of parity as determined by the Secretary to be appropriate. For corn, the loan was to be at a level not less than $1.10 per bushel nor more than 90 percent of parity, determined by the Secretary to encourage the export of feed grain and not result in excessive U.S. grain stocks. The loan and purchase rates for other feed grains were to be established in relation to the feeding value for corn. However the Secretary suspended--for the duration of the act--the farm-conserving base requirement, and designated barley a feed grain for program purposes. For cotton, loan levels were based on 90 percent of the average price of American cotton in world markets for the preceding 3-year period.

Milk support price was to be at a level of between 75 and 90 percent of parity (except for the period ending March 31, 1975, during which the minimum level was to be at 80 percent) to be determined by the Secretary as necessary to assure an adequate supply of pure and wholesome milk to meet current need, to reflect changes in the cost of production, and to assure a level of farm income adequate to maintain productive capacity. As before, price support would be provided mainly through purchases of the products of milk.

The act continued the price for shorn wool at 72 cents per pound and for mohair at 80.2 cents per pound through the marketing year ending December 31, 1977.

Disaster payments were authorized if eligible producers were prevented from planting any portion of allotments because of drought, flood, or natural disaster, or other conditions beyond their control. These payments were to be available when natural disaster prevented a farmer from harvesting two-thirds of the normal production of the allotment crop. Provision was made to establish disaster reserve inventories that were not to exceed 75 million bushels of wheat, feed grains, and soybeans.

Although the CCC held virtually no inventories, the 1973 Act extended Public Law 480 for an additional 4 years. Long-term contracts for up to 25 years were authorized for the Rural Environmental Conservation Program and the Waterbank Program. The dairy and beekeeper indemnity programs were continued.

Greatly increased foreign demand had permitted a change in emphasis in the Agriculture and Consumer Protection Act. However, much of the authority of the Agricultural Adjustment Act of 1938, as amended, to limit total acreage planted to major crops (based on producer referendums for establishing quotas) and to support prices, remained available as standby authority. The Secretary was still directed to determine and apportion national acreage allotments for wheat, feed grains, and upland cotton. Authority for cropland set asides was provided as a condition of eligibility for loans, purchases, and payments for wheat, feed grains, and upland cotton as specified percentages of crop allotments to be devoted to approved conservation uses, if a set aside program

were announced. Cost sharing for conservation use was also authorized. In practice, agricultural conditions were favorable enough so that little Government intervention was necessary. Prices through 1975 and 1976 remained above target levels. No acreage diversions were necessary for several years following 1973.

The Rice Production Act of 1975, approved February 16, 1976, began a cropland set aside program and acreage diversion for rice. This act limited the amount of payments any producer could receive annually to $55,000, initiated an established or target price for the 1976 and 1977 crops, and provided for deficiency payments to make up the difference between target prices and market or loan levels. The loan rate for the 1977 rice program was $6.19 per hundredweight, adjusted to reflect changes in the index of prices paid, and the target price was $8. Provision was made for payments if producers were prevented from planting or if they lost crops because of disaster conditions. Marketing quotas were suspended and program participation was voluntary. The law increased the minimum national rice acreage allotment to 1.8 million acres and removed restrictions on rice production by new producers.

The mid-1970s were favorable years for American farmers. Export demand continued to grow and prices for wheat, feed grains, rice, and cotton reached new highs between 1973-75. Net farm income soared to a record $34.4 billion in 1973 and remained at historically high levels for the next 2 to 3 years. Government payments to farmers fell to just $530 million in 1974, the lowest level (in current dollars) since 1955. There were clouds on the horizon, however. High farm prices set off a scramble for farmland that drove land values up and left many farmers overcapitalized. Greater dependence on export markets made commodities more vulnerable to sudden price swings due to economic or political events in other parts of the world. And continued food price inflation brought stronger consumer demands that support for agriculture be scaled down. Signs of this new situation appeared in 1974-75. In 1974, sugar producers were unable to renew their 40-year old program which set foreign quotas and made payments to domestic producers. In 1975, President Ford vetoed a bill that would have raised target prices for grain and cotton and made more frequent adjustments in dairy supports, steps that farmers wanted taken because prices were beginning to decline from their 1973-74 peaks. Also that year, the White House instituted a brief grain embargo against the Soviet Union and Poland because of the effects those sales were having on domestic prices.

FOOD AND AGRICULTURE ACT OF 1977

By 1977, when both the Agriculture and Consumer Protection Act of 1973 and the Rice Production Act of 1975 were scheduled to expire, farm income had once again become a problem, this time complicated by the price instability caused by greater reliance on export sales. Despite advancing exports, substantially higher grain production in the mid-1970s depressed prices: corn from $3.02 to $2.02 a bushel between 1974-77 and wheat from $4.09 to $2.33 a bushel in the same period. Total net farm income fell to $19.8 billion in 1977, 42 percent below its 1973 high. The new Carter administration proposed a farmer-owned grain reserve to temper price fluctuations, replacement of the old acreage allotments with a current plantings concept that better reflected shifts in planting during the 1970s, and price supports that could be adjusted downward to keep them closer to world prices. The Senate bill, however, mirrored the concerns of farmers about falling income and, while incorporating other features of the administration's plan, set loan rates and target prices much

higher. The House bill was closer to the administration's. Secretary Bergland submitted a revised proposal that raised supports for wheat, corn, cotton, and rice, but it came with the warning that the President would veto any bill with supports too high. The compromise that emerged as the Food and Agriculture Act of 1977 set price and income supports substantially above the administration's original bill. This represented a return in part to the relatively high levels of support of the 1960s. Moreover, the Carter administration in 1977 announced the first acreage allotments since 1973 in a move to restrain production. Nevertheless, the new act continued to allow farmers the flexibility in production that they had received when set asides replaced diversions in 1970.

The Food and Agriculture Act of 1977 (September 29, 1977) continued the dual system of target prices at higher rates than loan levels to allow crops to move freely in international trade. As in the 1973 Act, deficiency payments were to be used only when market prices fell below target levels. Payment rates would be the difference between the target price and the higher of the 5-month weighted national average price received by all farmers, or the national loan level. There were to be no payments (as there had been before enactment of the Agriculture and Consumer Protection Act) when market prices were high. Target prices for wheat and corn in 1977 were increased above those set by the 1973 legislation. Wheat was raised from $2.47 to $2.90 per bushel and corn from $1.70 to $2.00. For 1978, the target price for wheat was set at $3.05 if production were not more than 1.8 billion bushels or $3.00 if production were above 1.8 billion bushels.

The 1978 target price for corn was set at $2.10 per bushel with the other grains set according to the law at a "fair and reasonable level" in relation to corn's target price. Target prices for oats and barley were optional but were mandated for corn and sorghum. Wheat and feed grain target prices for 1979-81 crops were to be adjusted to reflect any change in the moving 2-year average of variable costs, machinery ownership, and general farm overhead costs, which included in addition to cost of production expenditures for interest, taxes, insurance and replacement for machinery, and such costs as recordkeeping and utilities. The nonrecourse loan established a price floor and provided a source of credit for farmers. For the 1977 crop of wheat, minimum loan levels were left unchanged at $2.25 a bushel, the same as previously announced. The minimum loan rate for 1978-81 was set by the act at $2.35 a bushel. A special provision in the law allowed a lower loan level under certain circumstances, such as a 10-percent drop if the market price did not exceed the loan level by at least 5 percent in the previous year. However, the loan level could not fall below $2.00 nor exceed 100 percent of parity regardless of special circumstances.

The minimum loan level for corn was to remain at $2.00. However, the Secretary could drop it as much as 10 percent in 1 year if the national average price were less than 105 percent of the prior year's loan. But the loan level could not go below $1.75. No maximum loan level was set for feed grains.

The loan levels for the grains could be raised at the Secretary's discretion. The deficiency payment rate for corn was to be computed by one of two ways: either the difference between the target price and the national weighted average market price received during the first 5 months of the marketing year, or the difference between the target price and the loan level. The Secretary was directed to use the smaller of the two, but payments would be made only if the market price were below the target price for the first 5 months of the

marketing year. If the Department should set the loan level below the normal minimum of $2.00 for corn or $2.35 for wheat, compensation would be made by an increase in the deficiency payments. The 1977 Act, beginning with the 1978 program, substituted current planted acreage for allotments on a historic base. National program acreages for wheat, feed grains, and upland cotton were to be determined by the Secretary to represent estimated acreage needed to meet domestic and export needs plus any desired adjustments in stocks. A farmer's acreage eligible for deficiency payments was to be determined by multiplying acreage planted for harvest by an allocation factor.

The Food and Agriculture Act of 1977 directed the Secretary to administer a farmer-owned reserve program for wheat and, at his discretion, for feed grains through an extended price support loan program of 3 to 5 years duration. To provide a special inducement, the Secretary was authorized to pay the annual storage costs of the grain, as well as to waive or adjust interest rates. Feed grain producers, for example, were to receive 25 cents a bushel for storage, except for oats, where the payment was 19 cents a bushel. The quantity of wheat held was to be not less than 300 million nor more than 700 million bushels, but the upper limit could be adjusted to meet any commitments assumed by the United States to an international grain reserve. Since no minimum amount was specified for producer-held feed grains, the Secretary was given the option of implementing either a reseal program or an extended loan program. Storage payments could be discontinued for wheat whenever the average market price reached between 140 and 160 percent of the current loan for wheat. The loan could be called whenever the market price for wheat reached 175 percent of the current loan.

Disaster reserves for the purpose of alleviating distress caused by natural disaster were again authorized. The Secretary was also authorized to implement an emergency feed program to preserve and maintain livestock in case of natural disaster.

The law required the Secretary to make storage facility loans, with a maximum repayment period of 10 years, available to producers of dry or high-moisture grain, soybeans, rice, and high-moisture forage and silage.

On August 29, 1977, even before the 1978 crop year had begun, the administration expanded its commitment to a food and feed grain reserve of between 30 to 35 million metric tons. It was anticipated that the farmer-owned grain reserve would have 330 million bushels of wheat by June 1, 1978, and 550 million bushels in the feed grain reserve. In addition, the President was authorized to negotiate with other countries to establish an International Emergency Food Reserve and to maintain a U.S. reserve as part of it, although not until the Agricultural Act of 1980 was a 5-year food security wheat reserve set up. Farmers were not to make the wheat available on the market until the farm price exceeded $3.29 a bushel. Corn was to be withheld from the market until the farm price exceeded $2.50 a bushel.

The 1977 Act revised the payment limitation upward for wheat, feed grains, and upland cotton, but reduced it for rice. Under the 1973 legislation, the limit was $20,000. The limit for the 1978 crop of wheat, feed grains, and cotton was $40,000. For 1979, the limit was raised to $45,000. For rice producers, the payment limit was decreased from $55,000 in 1977 to $52,250 in 1978 and $50,000 in 1979. For the 1980 and 1981 crops, the annual payment limit for wheat, feed grains, upland cotton, and rice combined was to be $50,000. Payments for disaster loss, CCC purchases, commodity loans, or payments for public access for recreation were excluded from the payment limitation beginning in 1978.

A set aside program was authorized in the 1977 legislation if the Secretary of Agriculture determined that supplies were likely to be excessive. The set asides were to be based on a percentage of the farmer's acreage planted for harvest in that year. Under the 1973 legislation, they were based on a percentage of allotment.

The disaster payment program, extended with provisions for 2 additional years to allow more time to develop an alternative, could be an expanded and effective Federal crop insurance program. Prevented plantings and low-yield provisions were extended through the 1979 crop year and revised to be more equitable among crops and among producers.

Marketing quotas for cotton were discontinued in the 1977 legislation, and all benefits were tied to planted acreage. The 1977 target price continued to be 47.8 cents per pound as based on the 1973 legislation. The minimum target price for the 1978 crop cotton was set at 52 cents per pound. For 1978 and beyond, target prices were to be determined by the same formula used for wheat and feed grains. However, the target prices for 1979 and later crops were not to fall below 51 cents a pound. Nonrecourse loan levels for cotton (beginning with the 1978 crop) were to be set either at 85 percent of market price for the preceding 4-year period or 90 percent of the average adjusted price for the first 2 weeks of October. The Secretary was directed to base supports on the lower of the two calculations and make the announcement by November 1 of the year preceding the crop year. A special limited global import quota was authorized under certain conditions. Minimum cotton program acreage was reduced from 11 million acres to 10 million acres. The Secretary could require a set aside but it was to be limited to 28 percent of the planted acres. Unless otherwise instructed, farmers had to use their set aside land for approved conservation practices and not for other crops.

The 1977 Act extended the Rice Production Act of 1975 through 1981 with historical acreage allotments continuing to apply, but for payment and loan purposes only. Target prices were to be adjusted, beginning with the 1978 crop, in much the same way as prices for wheat, feed grains, and cotton.

The new legislation made substantial changes in the peanut program with the aim of reducing its cost. CCC stocks of peanuts had broken records in 1974 and 1975, which substantially raised storage expenses. The 1977 Act required the Secretary to announce a national acreage allotment of at least 1,614,000 acres no later than December for the following year. Poundage quotas were continued but they would gradually drop from 1,680,000 tons in 1978 to 1,440,000 tons in 1981. The Secretary was given discretion to increase poundage quotas above the minimum if he determined that the quota for 1 one year was too low to meet domestic edible use and carryover requirements. The quota for an individual farm was to be set through a formula. Base production poundage would be used to determine the farm poundage quota.

Peanuts grown within allotments would be supported by a new two-tier structure. For peanuts produced within the poundage quota, the minimum support rate would be $420 a ton for each of the 1978-81 crops. The second tier support was for peanuts produced in excess of the amount of quota peanuts that could be sold, but not in excess of the production limits on a farm's allotment. For these additional peanuts, many of which would be exported, USDA could use loans, purchases, or other operations to provide price support. In practice, these supports were far lower than for quota peanuts. Prices for the additional peanuts were to be announced by February 15 of each year.

The milk support program was changed to reflect rapid increases in milk production costs. Until March 31, 1981, the Secretary of Agriculture would determine the support price twice yearly instead of once so that production costs could be reflected more accurately. Until March 31, 1979, the support price had to be offered at a level between 80 and 90 percent of parity. Quarterly alterations could be made by the Secretary to reflect substantial change in the parity price index. If nuclear fallout, radiation, or chemical residue affected a herd so that its milk had to be ordered off the market, farmers were to be given Government payments. New standards were imposed for ice cream.

In addition to a continuing indemnity program for beekeepers, a loan and purchase program for soybeans became mandatory under the Food and Agriculture Act of 1977. Soybeans had been previously considered nonbasic with loan and purchase programs dependent upon the discretion of the Secretary. With the establishment of a loan and purchase program for 1977 and 1978 crops of sugarcane and sugarbeets, support prices could not be less than 13.5 cents per pound.

The National Wool Act was extended to December 31, 1981. Support rates for shorn wool were boosted to 85 percent of the formula rate.

EMERGENCY ASSISTANCE ACT OF 1978

As a further response to weak prices and low farm income in 1977, Congress passed the Emergency Assistance Act on May 15, 1978. It gave the Secretary of Agriculture discretionary authority to increase the target prices for wheat, feed grains, and upland cotton for the 1978 through 1981 crops whenever a set aside was in effect for one or more of these crops. If the target price were increased for a commodity for which a set aside was in effect, the Secretary could then at his discretion increase the target price for any other commodity. A flexible parity proposal that would have increased Government costs substantially nearly passed as part of the act. The act also established a raisin marketing order program to authorize research in raisin production and marketing and development projects, including paid advertising for raisins. Finally, farmers won a $4 billion emergency loan program and a moratorium on Farmers Home Administration foreclosures. Rice was added to the commodities covered on August 4, 1978, by the Agricultural Credit Act of 1978.

The Emergency Assistance Act made certain technical changes in the formula contained in the 1977 farm act for computing the loan level for upland cotton and set a minimum loan level of 48 cents per pound regardless of the formula for the 1978-81 crops. The legislation also increased the borrowing authority of the CCC from $14.5 to $25 billion effective October 1, 1978.

As a result of the enactment of the Emergency Assistance Act, USDA announced on May 16, 1978, that the target price for wheat would be increased from $3.05 to $3.40 per bushel with no qualification with respect to the size of the crop. Target prices for corn, however, remained at $2.35. The minimum loan rate for upland cotton was increased from 44 cents to 48 cents a pound as required by the legislation. The signup period for wheat, feed grain, and upland cotton programs was extended until May 31, 1978, 2 weeks from the signing of 1978 Act into law.

Between 1978 and 1980, prices for the major supported commodities recovered, in some cases exceeding their 1973-74 levels by 1980. Exports continued to

expand. However, consumer food prices also increased by over 20 percent between 1978-80 and Congress reacted negatively to farm bills that might further raise prices or increase Government outlays. Attempts in 1978 and 1979 to impose import quotas on sugar and put it under the target price system failed. The International Sugar Agreement was ratified in 1980 with a proviso that the President protect consumers in the event of major price increases. The Meat Import Act of 1979 similarly gave the President some flexibility to suspend quotas to keep prices from going too high.

By the early 1980s, conditions had again turned downward for farmers. On January 4, 1980, President Carter began a partial suspension of agricultural exports to the Soviet Union as retaliation for that country's invasion of Afghanistan. To protect farmers, USDA raised loan rates for wheat and corn, bought the grain that had been intended for export to the Soviets, raised the release and call levels of grain in the farmer-owned reserve, and waived the interest on first year loans on grain in the reserve. In a previously planned move, Congress raised target prices on grain by 7 percent in March. On April 11, a new law reopened the farmer-owned grain reserve to all producers in order to shield the market from grain that would otherwise have been sold to the Soviets. The administration, however, decided against a paid diversion program. Later in the year, Secretary Bergland raised loan rates again for wheat, corn, and soybeans, but opposed bills in Congress to raise them even higher. Agricultural exports, including grain, actually rose during 1980 but the embargo unsettled foreign markets and gave an advantage to foreign grain exporters. Farmers were also disturbed by a sharp rise in interest rates during the 1980 planting season and continuing high inflation in farm inputs. In March, the Emergency Agricultural Credit Adjustment Act was extended for 2 years, but farmers had to pay regular commercial rates rather than subsidized rates. The amount of money available for loan was increased from $4 billion to $6 billion. During the summer, drought hit most of the country, sharply reducing yields for feed grains, cotton, and peanuts. Prices for these commodities rose but total net farm income dropped by a third to $21.5 billion. In the Federal Crop Insurance Act of 1980, Congress terminated most disaster payments and substituted an expanded Federal crop insurance program with subsidized payments. Further price support relief came when on December 3 the farmer-owned reserve was made more attractive by the establishment of a two-tiered loan system that granted higher loan levels to farmers in the reserve: $3.50 a bushel for wheat and $2.40 for corn. Interest charges on these loans were waived.

AGRICULTURE AND FOOD ACT OF 1981

The Agriculture and Food Act of 1981 was thus written at a time when farmers were greatly concerned about export embargoes and farm income. Another issue that received a lot of attention in the Carter administration's planning was the effect of price support policies on farm structure. However, growing Federal deficits and the inauguration of the Reagan administration in January 1981 with John R. Block as Secretary of Agriculture, brought budgetary issues to the fore. Congressional reforms in the mid-1970s had given the budget committees a considerable role in approving programs, but 1981 was the first year in which the budgetary process was a truly critical issue in the writing of a major farm bill.

In March 1981, Secretary Block proposed a farm bill that agreed with the intent of the Office of Management and Budget to reduce the role and expense of Government in agriculture and rely more on export promotion. Block's

proposal eliminated target prices and disaster payments, reduced minimum dairy supports to 70 percent of parity, suspended peanut and rice acreage allotments, cut back on the food stamp program, changed the farmer-owned reserve by replacing release and call prices by a single trigger price, and gave the Secretary more discretion to determine loan levels. Shortly after Congress received this proposal, each house passed a budget resolution calling for major cuts in spending, including agricultural programs. This affected writing of the 1981 farm bill throughout its course, putting pressure on the agricultural committees to reduce the expense of their proposals. The committees, however, were also getting pressure from farm groups to provide greater income protection. The farm sector performed worse than expected in 1981, with prices of most supported crops dropping well below 1980 levels. The Soviet embargo was not lifted until April. The major farm organizations asked for a continuation of existing programs (including target prices), higher loan and target levels (in most cases), and better embargo protection. Budgetary limitations, however, made it harder than usual for farm groups to stick together. When the Reagan administration succeeded in getting Congress to cancel a scheduled April 1 dairy price support increase, the message was clear that the budget would have a serious impact on farm programs.

Neither the House nor Senate agriculture committees fully accepted the administration's proposals. The Senate Agriculture, Nutrition, and Forestry Committee, under Republican leadership for the first time since 1955, came closest to the Secretary's recommendations. The Senate committee refused to do away with target prices, disaster payments, and peanut acreage allotments but did give the Secretary greater discretion in adjusting target prices. It made cuts in major commodity programs and agreed not to raise milk supports if the CCC had to buy over $500 million in surplus production. The House agriculture committee produced a more expensive bill closer to the traditional omnibus farm bill. Both bills were well over budget as reported and floor action was intense as each commodity group tried to prevent further cuts in its program. The Senate cut the cost of its bill by about one-third on the floor; the House made smaller cuts in its bill. The conference committee report was a victory for the Senate version and was only narrowly approved by the House with all the general farm groups except the Farm Bureau in opposition. President Reagan signed the act on December 22, 1981. The final bill was a less expensive version of the 1977 Act and, like its predecessor, ran for 4 years. The two-tiered system of target prices and loans continued, as did acreage controls and the farmer-owned grain reserve. A new sugar price support program was included in the bill and farmers received the embargo protection they had wanted in a provision that called for higher supports in the event of an agricultural embargo. But in most respects, framers of the Agriculture and Food Act of 1981 believed they had produced a bill that would cost substantially less than the 1977 Act. The tie between target prices and inflation indices was broken and specific levels (lower than what many farm groups had wanted) were mandated for each year between 1982 and 1985 on the assumption that high inflation would continue. The same was true of dairy supports. Wool and mohair payments were reduced and acreage allotments for peanuts were suspended through 1985 and abolished for rice, opening the growing of those crops to all farmers.

The grain provisions of the 1981 Act were similar to those of 1977, with the exception that target prices were set for each year. In the case of wheat, the 1982 target price was to be $4.05 per bushel with increases in the following 3 years to $4.30, $4.45, and $4.65. The Secretary could raise target levels if warranted by increasing costs of production. Nonrecourse loan levels for the 4-year period were set at a minimum of $3.55, up from

1981's $3.20. Again, the Secretary could raise loan levels to keep wheat prices in balance with other grains, but he could also reduce them by up to 10 percent a year when the average market price was 105 percent of the loan level or less. This was similar to a provision in the 1977 Act. In no case could the wheat loan drop below $3.00. For corn (and other feed grains in proportion), target prices began at $2.70 per bushel in 1982 and rose in steps to $2.86, $3.03, and $3.18 by 1985. The minimum loan level was $2.55. As with wheat, the Secretary had the authority to raise target prices to meet rising production costs and lower loan rates by 10 percent in years when the market price was 105 percent or less of the loan level. The minimum loan for corn was set at $2.00.

Acreage reduction programs for grains continued along the same lines as in the 1977 Act. As before, the Secretary could require that farmers place a certain percentage of their base acreage of a crop into conservation uses in order to qualify for price and income supports. Part of the acreage taken out of production could be in the form of a paid diversion, although participation in that could not be required. In addition, the Secretary also had the option to substitute a more general set aside program for reduction in the acreage of specific crops. The 1981 Act, however, figured acreage limits somewhat differently, using a newly established crop acreage base rather than the current plantings concept. The normal crop acreage, as defined in the 1977 Act, could be used only when set asides were in effect. The farmer-owned grain reserve established in 1977 was continued under the act through 1985, not just for wheat and corn but for all feed grains. Loans on commodities in the reserve could be at the same level as regular loans or higher and could extend for periods of 3 to 5 years. The Secretary had discretion to adjust interest charges and storage payments to encourage participation. The upward limits on how much wheat and corn could be in the reserve were higher than in 1977: at least 700 million bushels for wheat and 1 billion bushels for corn. Interest rates charged to participants had to be at least as high as for regular CCC loans. Once market prices had reached the trigger level, the Secretary could raise loan interest rates to encourage sales from the reserve. But, while a reserve loan program was in effect, Government-owned grain could not be sold at less than 110 percent of the release level.

The rice program was modified in 1981 to eliminate acreage allotments and marketing quotas entirely, opening the benefits of the Government's support programs to all producers. Target prices were set at $10.85 per hundredweight in 1982 and $11.40, $11.90, and $12.40 in subsequent years, with further increases possible to reflect the cost of production. The loan rate was to increase in proportion to the target price but could also be reduced if the Secretary determined that the current rate made exports difficult or encouraged excess Government stocks. The minimum loan level was set at $8.00. The Secretary could require an acreage reduction or offer a paid diversion but cross-compliance with other programs was not required. Rice was no longer included under set asides.

The dairy program underwent considerable revision in 1981. As with wheat and feed grains, support levels were set down specifically in the act: $13.10 for fiscal 1982, and $13.25, $14.00, and $14.60 for the 3 fiscal years through 1985, respectively. This represented just 70 percent of parity for 1982 and was expected to be an even lower percentage in later years. The 1977 law had guaranteed at least 80 percent of parity. However, if the Secretary determined that Government purchases of dairy products for the next fiscal year would be under $1 billion, then the minimum price support would be 70 percent of parity for that year. Furthermore, if the Government were expected

to purchase less than 4 billion pounds of milk (or the equivalent) in fiscal 1983, 3.5 billion pounds in 1984, or 2.69 billion pounds in 1985, then the minimum support would be 75 percent of parity. The Secretary could, at his discretion, raise price supports further, though adjustments did not have to be made semiannually as in 1977. In order to reduce Government storage expenditures, the Secretary was required to dispose of enough of the Government's dairy stocks to keep expenditures in line with congressional estimates. Programs to indemnify farmers required to remove from market milk contaminated by chemical or nuclear residues and to donate dairy products to the military were continued through 1985.

The peanut program also went through some major changes. Peanut producers managed to stave off attempts to abolish the program altogether, but the 1981 Act eliminated peanut acreage allotments through 1985. The quota system, however, remained. All farmers were now eligible to grow peanuts, but new peanut farmers were restricted to growing "additional" peanuts for export or excess domestic demand which were supported at a lower rate. The 1981 Act continued the gradual downward adjustment of poundage quotas in the 1977 Act, setting them at 1.2 million tons in 1982, 1.17 million tons in 1983, 1.13 million tons in 1984, and 1.1 million tons in 1985. Quota producers were those who had historical acreage allotments and qualified for support on their quota portion at $550 per ton in 1982. In future years, the price support was to be increased according to the cost of production. "Additional" peanut support levels were left to the Secretary. The 1981 Act made it easier to transfer quotas from one farm to another.

Upland cotton target prices were set at minimums of 71, 76, 81, and 86 cents per pound between 1982 and 1985 but could be raised to 120 percent of the loan level, if this were higher than the specified amounts, and could also be adjusted further for increases in the cost of production. Loan levels were based on an average of market prices over several preceding years but no lower than 55 cents per pound. Loan levels for extra-long staple cotton were reduced to 75 percent higher than the upland cotton level (down from 85 percent in 1977) when marketing quotas were in effect and otherwise were to be 50 percent higher than upland cotton. The acreage reduction programs of 1977 continued for upland cotton, including required reductions for participation and voluntary paid diversions. However, reductions were to be figured on the newly established average base concept instead of current plantings and the normal crop acreage provision was eliminated. Producers no longer had to comply with the provisions of other commodity programs to participate in the upland cotton program.

A new 4-year sugar program was set up by the 1981 Act to revive support for sugarcane and sugarbeets. From passage of the act through March 31, 1982, the Secretary was required to make market purchases that would keep the price of raw cane sugar at 16.75 cents per pound For the 1982 through 1985 crops, sugar supports were to be 17, 17.5, 17.75, and 18 cents per pound. The Secretary was to set nonrecourse loan levels for sugarbeets in relation to the raw sugarcane levels.

The 1981 Act also reduced wool and mohair supports to 77.5 percent of a formula based on a parity index from the 1977 Act's requirement of 85 percent. Soybeans continued to be supported at a minimum level of $5.02 per bushel, although this amount could be lowered 10 percent a year when the average market price was 105 percent of the loan rate or less, down to a minimum of $4.50. The exact level was determined by averaging market prices for the preceding 5 years, after excluding the highest and lowest years. No

acreage reductions could be required for participation in the program. The tobacco program, which had successfully weathered attempts to repeal it in Congress, was to be subject to new regulations by the Secretary by January 1982 to insure that its net costs would be no higher than administrative expenses.

Congress continued to limit the amount that farmers could receive in payments from the Federal Government. Total payments per person, except for disaster payments, could not exceed $50,000. Disaster payments could not go over $100,000. The disaster payment program continued only for producers who were not eligible for crop insurance under the Federal Crop Insurance Act, except during emergencies. Export promotion was also a major consideration of the 1981 Act. A revolving export credit fund was set up for CCC use in developing and expanding markets. The Secretary was required to provide for standby export subsidies to meet the export subsidies of foreign governments. The Public Law 480 program had the ceiling on its donations abroad raised from $750 million to $1 billion. Finally, farmers received some protection against future embargoes. The 1977 Act had required raising loan levels to 90 percent of parity in the case of embargoes caused by short domestic supplies where other trade continued. Under the 1981 Act, protection was extended to embargoes initiated for foreign policy or national security purposes. When such an embargo began against a country receiving over 3 percent of American exports of a commodity and the embargo did not apply to all U. S. exports, then the Secretary was required to compensate producers of that commodity by either raising the loan level to 100 percent of parity or paying producers the difference between 100 of parity and an amount based on the market price in the 60 days following the embargo. The Secretary also had to submit plans to Congress for protection against embargoes not covered under this act.

RECENT LEGISLATION

Events in 1982 soon undermined the expectations of the framers of the 1981 Act. Production in 1982 was at record levels for wheat and corn and good weather helped produce bumper crops of other commodities, too. But worldwide recession dashed hopes that exports would keep expanding. Recession, along with a strong dollar, caused exports to decline in 1982 for the first time in 8 years. As a result, grain carryovers were at exceedingly high levels, even above the records set in the early 1960s. Prices fell and total net income from farming, in constant dollars, dropped to its lowest levels since 1933. Even allowing for the decreasing number of farmers, farm income per farm was lower than at any time since the mid-1960s. Loan delinquencies grew and farmland values leveled off after tripling over the course of a decade. The 1981 Act had been intended to save Government funds, but in 1982 the weak farm economy brought a sharp increase in payments to farmers, back to the levels of the 1960s.

Attention in 1982, then, shifted back to the old problem of surpluses. On January 29, Secretary Block announced acreage reduction programs for the 1982 crops of feed grains, wheat, cotton, and rice. To be eligible for price supports, feed grain producers had to cut their acreage by 10 percent; wheat, cotton, and rice producers had to cut by 15 percent. Feed grain and wheat producers received a premium on support loans for crops entered into the reserve. All farmers were allowed to graze or make hay on diverted land. However, in spite of this acreage reduction, farmers harvested record crops in 1982. For the 1983 crops, the Omnibus Budget Reconciliation Act, signed on September 8, required a somewhat larger land diversion program of 20 percent

for wheat and rice, 15 percent for corn. Farmers who retired that much of their acreage would receive diversion payments on 5 percent of their land at the rate of $3 a bushel for wheat, $1.50 a bushel for corn, and $3 per hundredweight of rice. Along with acreage reduction came an export promotion program starting at $175 million for fiscal 1983 and reaching $190 million in fiscal 1985. To protect farmers from lower prices, loan levels were raised to $3.65 for wheat and $2.65 for corn. Farmers in the program also qualified for early receipt of deficiency payments.

In the fall of 1982, the administration began discussing more drastic means of cutting production than the diversion plans in the Omnibus Budget Reconciliation Act. The plan that evolved was to make sharp cuts in production and reduce Government stocks at the same time by paying farmers not to produce, with payments to be made in the form of Government-held commodities. The payment-in-kind (PIK) program could have been initiated under existing authority, but on December 9 Secretary Block asked Congress to clarify its legal position by suspending the $50,000 payment limitation and the requirement that CCC sales be at levels 110 percent or more of farmer-owned grain reserve trigger prices. When Congress failed to act by the end of its session, the Secretary went ahead and formally announced the PIK program on January 11, 1983.

The PIK program bore some resemblance to its predecessors in the 1960s, but differed in three important ways. First, it applied to more crops: wheat, rice, and upland cotton, as well as corn and grain sorghum. Second, under the new program, commodities would actually be transported to farms (or nearby storage facilities) at Government expense instead of being converted to cash certificates, as most had been in the 1960s. And third, to insure a large participation, payments to farmers were much higher. As in the 1960s, farmers first had to divert part of their land to be in the price support program at all. Then, they had the option of diverting between 10 and 30 percent more for PIK payments. In addition, farmers could bid to remove their whole base acreage of a crop from production. Payments were set at 80 percent of normal yield for all crops except wheat, where the rate was 95 percent. By contrast, the level during most of the 1960s had been 50 percent of the county support rate. In March, Congress passed a law clearing up some of the confusion in the tax laws about treatment of PIK crops. Farmers responded to the PIK program by enthusiastically signing up. A total of 82 million acres were pledged for diversion to conserving uses under PIK and related acreage reduction programs, the largest amount of land ever taken out of production in the United States. This meant that over a third of the land normally planted in PIK crops would be idle. Many of the bids to remove whole base acreages from production were accepted. In all, enough land was removed from production to cause concern in the input industries about the effects of PIK on purchases of supplies and equipment.

The PIK program, like the 1981 Agriculture and Food Act, turned out somewhat differently than expected due to unforeseen events. High participation meant greater costs; $9 billion in Government-owned commodities were paid out to farmers in 1983. Moreover, PIK had been predicated on normal weather but 1983 brought the worst drought since the 1930s. Crops in the Midwest, Southeast, and Southwest were seriously affected. Corn production, expected to decline by a third, dropped by half. Cotton, sorghum, soybeans, and a number of other crops also registered steep declines. Prices for PIK commodities, except wheat (which was unaffected by the drought) rose more strongly than had been anticipated. The effects of the drought on the financial condition of farmers, however, were extremely uneven. Farmers who had idled most of their

land under PIK emerged in good shape after selling the surplus crops they received from the Government. Those in drought areas who had not participated suffered heavy losses. Moreover, despite generally large Government stocks, the CCC did not own enough wheat and cotton to pay PIK farmers. To solve this problem, USDA obtained grain from the farmer-owned reserve and called in some 1983 price support loans, allowing farmers to retain their loan money while the CCC received the crop. In the case of cotton, however, rising cotton prices put producers at a disadvantage compared with what they could have gotten in the market. Thus, on July 30 a new law gave farmers a second chance to supply cotton for PIK. To relieve drought-striken farmers, Congress included a provision in the Dairy and Tobacco Adjustment Act that allowed livestock producers to purchase surplus corn in poor condition at a reduced rate. Other congressional proposals for delayed repayments on FmHA loans and a broader disaster payment program failed. A Senate bill that would have set up an export PIK program to subsidize exports also failed.

Dairy and tobacco programs also underwent modification during this period to reduce surpluses and Government costs. The omnibus act froze dairy price supports for 1983 and 1984 at their 1982 level of $13.10 per hundredweight, with 1985 supports to be adjusted so they equalled the same parity level that $13.10 represented as of October 1, 1983. The CCC's authority to donate surplus dairy products to needy persons domestically and overseas was expanded. The Secretary was also permitted to make two deductions of 50 cents each from price support payments for each fiscal year between 1982 and 1985. The first would occur if Government purchases of dairy surpluses exceeded 5 billion pounds of milk (or the equivalent) in a given year; the second deduction, to begin April 1, 1983, would be for years when Federal purchases went above 7.5 million pounds. The second deduction would be rebated to farmers who reduced production by a percentage determined by the Secretary (but not greater than the percentage of surplus milk to total production). A provision in the House bill that would have set up an industry-dominated board to administer a two-tiered price plan was dropped by the conference committee.

The No Net Cost Tobacco Program Act of 1982 (July 20, 1982) was also designed with an eye to the budget. Passed in response to the 1981 Agriculture and Food Act's requirement that the tobacco program be revised so it would not cost taxpayers anything beyond administrative expenses, the 1982 Act was a compromise between the tobacco industry and critics who wanted to see the whole program dismantled. Under the new act, tobacco farmers had to contribute to a fund administered by their cooperative marketing association. This fund would be used to repay the Government for any losses incurred in its tobacco price support operations. Allotment holders who leased their quotas also had to pay into the fund beginning with the 1983 crop. The Secretary received permission to lower price supports on tobacco grades being produced in surplus, so long as they were not reduced to a point where the weighted average of all tobacco supports fell below 65 percent of what it otherwise would have been. During years of surplus production, flue-cured tobacco growers could sell up to 10 percent of their crop at special auctions without the usual price supports. The act retained the allotment and quota system but made it more likely that allotments would be owned by actual farmers rather than investors. Corporate and institutional allotment and quota owners had to sell their interest by December 1, 1983, unless they were actively involved in farming or managing farmland. Only active farmers who shared the risk of growing the crop could purchase allotments or quotas from either institutions or individuals.

The administration continued its efforts in 1983 to reduce the cost of agricultural programs. That spring, it proposed an omnibus bill that would have frozen target prices and reformed the dairy and tobacco programs. The target price freeze failed but on November 29 the President signed the Dairy and Tobacco Adjustment Act of 1983, which made some substantial changes. The dairy program had continued to be expensive. Production outstripped demand by about 10 percent and the Government was expected to spend $3 billion in 1983 to buy surplus dairy products. The new law put dairy producers under a voluntary diversion program similar to that for crops. Farmers participating in the 15-month plan could cut their production between 5 and 30 percent for payments of $10 per hundredweight. To prevent an adverse effect on the beef markets due to culling of cows, participants had to report how much of their reduction would come from culling; diversion contracts could then be revised to prevent the sudden sale of too many cows. The price support was reduced from $13.10 to $12.60 per 100 pounds. A further 50-cent deduction for pay for the diversion programs was to be taken until April 1, 1985, at which time it could be replaced by a 50-cent reduction in support if Government milk purchases were expected to top 6 billion pounds, and another 50-cent reduction on July 1 if such purchases were expected to be above 5 billion pounds. If purchases on the latter date fell below 5 billion pounds and there was a need for more milk, price supports could then be increased by 50 cents. The act also repealed the second of the two 50-cent assessments required in 1982, after strong complaints from dairymen. Participation in the dairy diversion plan was relatively low.

The tobacco program also underwent a number of changes. In July, Congress froze tobacco support prices for 1983 at their 1982 levels. The Dairy and Tobacco Adjustment Act extended this into 1985 for flue-cured tobacco, with provision for an increase in 1985 should much higher production costs justify it. Burley supports in 1984 could not change in any way that would narrow the difference between burley and flue-cured supports. Lower quality grades could have their supports reduced if necessary to facilitate marketing. The tobacco quota system underwent further revision. Nonfarming owners of flue-cured and burley quotas did not have to sell them until December 1, 1984; certain categories of ownership were exempted from mandatory sale. On the other hand, flue-cured quotas could no longer be leased beyond 1986; burley quotas could no longer be leased in the fall. Lessees would not have to pay the assessments used to repay the Government for possible losses from its tobacco program.

The extra-long staple cotton program also changed in 1983. On August 26, the President signed a bill that put extra-long staple cotton under a target price system similar to that for upland cotton and authorized paid acreage reductions. The law dropped the 1984 loan rate on extra-long staple cotton from 96.25 cents a pound to 82.5 cents. In September, a bill passed requiring earlier announcements of wheat programs.

The trend toward reducing the cost of price support programs continued in 1984 with the passage of the Agricultural Programs Adjustment Act of 1984, signed on April 10. This act prevented the automatic target price increases scheduled in the 1981 Agriculture and Food Act from going into effect. For wheat, the target price for 1984 and 1985 was set at $4.38 a bushel instead of the previously required $4.45 and $4.65, respectively. Acreage reduction continued with some adjustments from 1983. For 1984 and 1985, the act required a 20-percent acreage reduction program plus a 10-percent paid diversion. Payment under the diversion was set at a minimum of $2.70 per bushel, half to be paid at signup. In addition, wheat producers could join a

10- to 20-percent PIK program for 1984 which had a payment of 85 percent of normal yield. The Secretary limited 1984 payments (including PIK) to $50,000.

Feed grains, upland cotton, and rice target prices for 1985 were frozen at their 1984 levels of $3.03 for corn, 81 cents for cotton, and $11.90 for rice. PIK programs were not announced for these commodities but provision was made for diversion of excess acres. For 1984 crops, diversions were established as per the 1981 Act. For 1985, the new law made feed grains subject to an acreage reduction of between 5 and 20 percent if the Secretary estimated that carryovers on September 30, 1985, would be above 1.1 billion bushels. At least 5 percent would be in the form of a paid diversion at a rate of at least $1.50 per bushel; reductions over 15 percent were to be divided equally between paid diversion and unpaid acreage reduction. For upland cotton, a carryover above 3.7 million bales on July 31, 1985, would trigger a reduction of at least 25 percent. Twenty percent of upland cotton acres would be an unpaid reduction: the remainder would be paid for on a sliding scale according to how much the carryover was expected to be, with 27.5 cents a pound as a minimum. Rice acreage would be reduced if stocks on July 31, 1985, were estimated to exceed 25 million cwt. The terms were similar to the cotton program, except that the minimum rate of pay was $2.70 per cwt. As with wheat, half the feed grains, upland cotton, and rice diversion payments were to be made when farmers joined the program. The act also appropriated $250 million more for emergency loans in fiscal 1984 and raised the amount that could be guaranteed to individual farmers.

CONCLUSION

Price support programs have changed comparatively little in their 50 years of existence. Price supports were designed to address the perennial problem in American agriculture--the ability of farmers to produce far more than can be consumed at home or sold abroad. As recent events show, this problem remains in part because of dramatic changes in the technology and structure of agriculture. The goals of 1933--to protect farm income and control surplus production--are the same as those today. In one respect, though, there has been a significant evolution. Early price support programs, especially those during and after World War II, relied heavily on high support levels and controls that were mandatory after they had been approved by producers of the crops affected. Since the early 1950s, the trend has been to rely more on the marketplace to set prices and voluntary programs to reduce acreage.

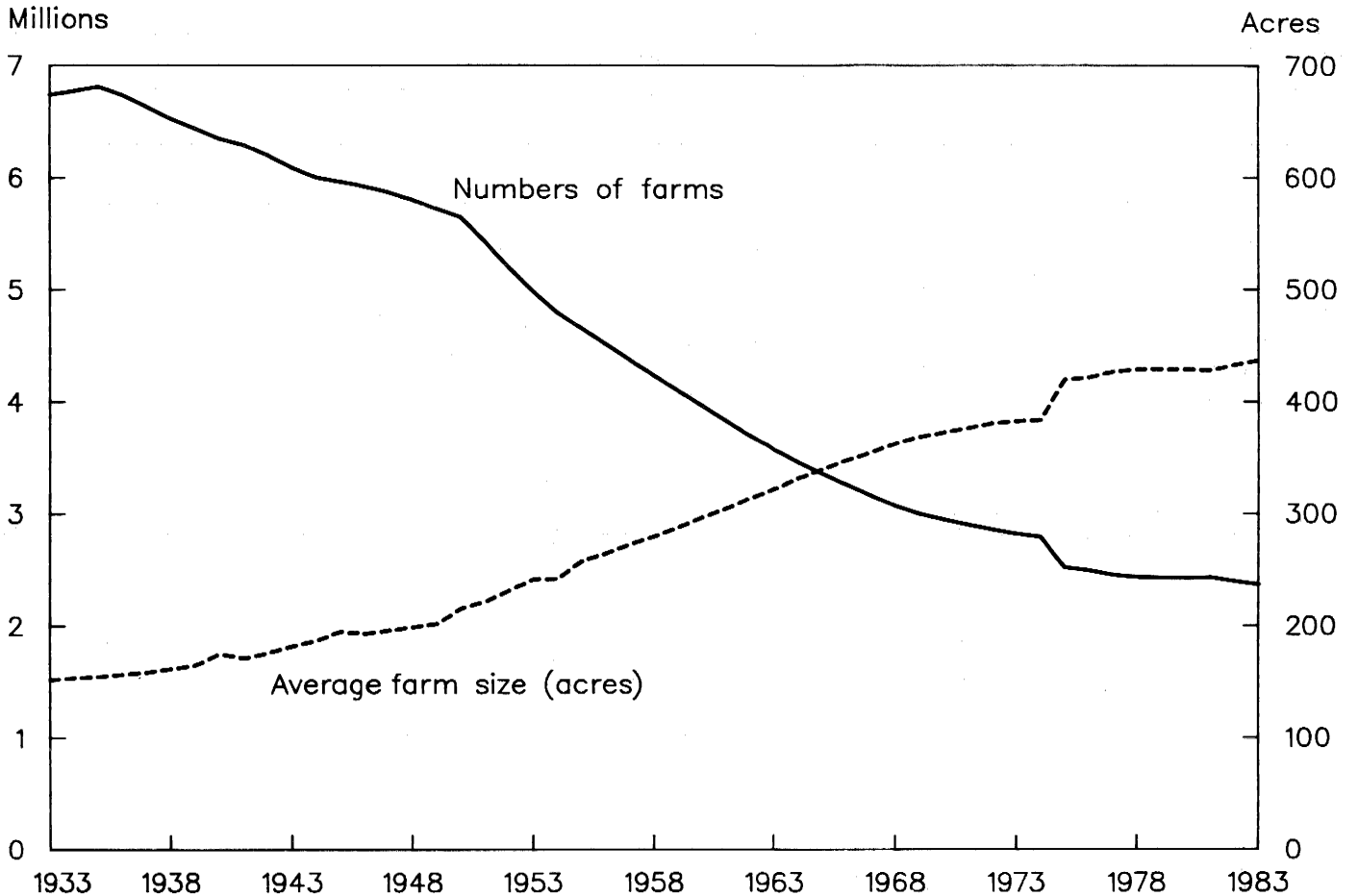
The past 20 years have also witnessed changes in the political and economic environments in which agricultural policy is made. Farmers have lost much political power as their numbers have steadily declined. They have increasingly had to ally with other groups in Congress to obtain farm bills and have had to accept modifications in programs at the request of cost-conscious urban interests. Congressional budget reforms of the mid-1970s have also had an impact on farm legislation. Agriculture has come to rely more than ever on exports, which has made prices more volatile and unpredictable. Changing farm size has also had implications for policy. American farmers have been through many economic cycles where demand has been greater than supply for awhile, only to be succeeded by excess production and lower prices. This is what has happened over the past decade and today the agricultural economy is again confronting a problem with surpluses. As so often in the past, policymakers face the difficult task of balancing supply and demand and of supporting farm income while keeping Government expenditures under control.

Production, prices, and price supports of three major commodities, 1949-83

Year	Corn			Wheat			Cotton		
	For grain production	Supports*	Prices	Production	Supports*	Prices	Production	Supports*	Prices
	Bil. bu.	- - Dollars - -		Bil. bu.	- - Dollars - -		Mil. bales	- - Cents - -	
1949	2.946	1.40	1.24	1.098	1.95	1.88	16.1	27.2	25.6
1950	2.764	1.47	1.52	1.019	1.99	2.00	10.0	27.9	40.1
1951	2.629	1.57	1.66	.988	2.18	2.11	15.1	30.5	37.9
1952	2.981	1.60	1.52	1.306	2.20	2.09	15.1	30.9	34.6
1953	2.882	1.60	1.48	1.173	2.21	2.04	16.5	30.8	32.3
1954	2.708	1.62	1.43	.984	2.24	2.12	13.7	31.6	33.6
1955	2.873	1.58	1.35	.937	2.08	1.99	14.7	31.7	32.3
1956	3.075	1.50	1.29	1.005	2.00	1.97	13.3	29.3	31.8
1957	3.045	1.40	1.11	.956	2.00	1.93	11.0	28.8	29.7
1958	3.356	1.36	1.12	1.457	1.82	1.75	11.5	31.2	33.2
1959	3.825	1.12	1.05	1.118	1.81	1.76	14.6	30.4	31.7
1960	3.907	1.06	1.00	1.355	1.78	1.74	14.3	29.0	30.2
1961	3.598	1.20	1.10	1.232	1.79	1.83	14.3	31.9	32.9
1962	3.606	1.20	1.12	1.092	2.00	2.04	14.9	31.9	31.9
1963	4.019	1.25	1.11	1.147	2.03	1.85	15.3	31.7	32.2
1964	3.484	1.25	1.17	1.283	1.78	1.37	15.2	32.8	31.1
1965	4.084	1.25	1.16	1.316	1.72	1.35	15.0	32.6	29.4
1966	4.117	1.30	1.24	1.305	1.90	1.63	9.6	29.6	21.8
1967	4.760	1.35	1.03	1.508	1.85	1.39	7.4	31.0	26.7
1968	4.450	1.35	1.08	1.557	1.83	1.24	10.9	31.9	23.1
1969	4.687	1.35	1.16	1.443	1.94	1.25	10.0	34.4	22.0
1970	4.152	1.35	1.33	1.352	2.00	1.33	10.2	37.0	22.9
1971	5.646	1.35	1.08	1.619	1.79	1.34	10.5	35.0	28.2
1972	5.580	1.41	1.57	1.546	1.72	1.76	13.7	35.9	27.3
1973	5.671	1.64	2.55	1.711	1.46	3.95	13.0	41.5	44.6
1974	4.701	1.38	3.02	1.782	2.05	4.09	11.5	38.0	42.9
1975	5.841	1.38	2.54	2.127	2.05	3.55	8.3	38.0	51.3
1976	6.289	1.57	2.15	2.149	2.29	2.73	10.6	43.2	64.1
1977	6.505	2.00	2.02	2.046	2.90	2.33	14.4	47.8	52.3
1978	7.268	2.10	2.25	1.776	3.40	2.97	10.9	52.0	58.4
1979	7.939	2.20	2.52	2.134	3.40	3.78	14.6	57.7	62.5
1980	6.639	2.35	3.11	2.374	3.63	3.91	11.1	58.4	74.4
1981	8.119	2.40	2.50	2.799	3.81	3.65	15.6	70.9	54.0
1982**	8.235	2.70	2.68	2.765	4.05	3.55	12.0	71.0	59.1
1983**	4.166	2.86	3.20	2.420	4.30	3.54	7.8	76.0	67.2

*Includes target prices as well as loan rates. **Preliminary.

Number of Farms and Average Size, 1933–1983



INDEX

Acreage allotments
5, 13-15, 17, 19-26, 29-32, 34, 37-39
Acreage reductions
5, 9, 22, 25, 27, 38-41, 43, 44
Agricultural Act of 1948
17-19
Agricultural Act of 1949
18-19
Agricultural Act of 1954
21-22
Agricultural Act of 1956
22
Agricultural Act of 1958
22-23
Agricultural Act of 1964
25
Agricultural Adjustment Act of 1933
3-5, 7, 12; Amendments of 1935
10
Agricultural Adjustment Act of 1938
3, 12-14, 17, 19, 30
Agricultural Adjustment Adm.
6-9, 14
Agricultural Credit Act of 1978
35
Agricultural Marketing Act of 1929
2
Agricultural Marketing Agreement Act of 1937
12
Agricultural Programs Adjustment Act (1984)
43-44
Agricultural Trade Development and Assistance Act (1954)
21 (see also Public Law 480)
Agriculture and Consumer Protection Act of 1973
29-31
Agriculture and Food Act of 1981
36-40
Aiken, George D.
17
Allotments, acreage
3, 5, 6, 7, 11-17, 19-26, 28-34, 37-39, 42
Apples
24
Australia
19

Bankhead Cotton Control Act (1934)
6
Barley
4, 14, 20, 23, 24, 27, 29, 30, 32
Basic commodities
4, 5, 9, 10, 16-21
Beans
16, 18
Beef
2, 4, 43
Beekeepers
28, 35
Benson, Ezra Taft
21
Bergland, Bob
32, 36
Block, John R.
36, 40, 41
Brannan, Charles F.
18, 20, 22
Brannan Plan
18, 22
Budget
36, 37, 40-42, 44
Bureau of Agricultural Economics
2
Butter
10, 14, 28
Butterfat
16, 19, 20, 28
Butz, Earl
29

Canada
19
Carryover (see also stocks)
5, 11, 23, 27, 34, 40, 44
Carter, Jimmy
31, 32, 36
Certificates
23-26, 28, 41
Cheese
10
Chicago
10
Child labor
5, 12
Chinese
6, 7
Commodity Credit Corporation
6, 15-17, 19, 21, 23-26, 28, 30, 33-35, 37, 38, 40-42
Connecticut
7
Conservation
11-15, 18, 22, 23, 27, 28, 30, 31, 34, 38, 41

Consumer price index
29
Cooperatives
1, 2, 10, 19, 42
Corn
2-4, 8-10, 13-17, 20-25, 27, 29-33, 35, 36, 38, 40-42, 44
Corn-hog program
8-10
Cost of production
2, 27, 30, 32, 38, 39
Cotton
2-9, 11, 13-23, 25-36, 39-44
Cotton, extra-long staple
19, 21, 26, 27, 39, 43
Cottonseed
20, 22
Credit
6, 32, 35, 36, 40
Crop acreage base
38
Cropland adjustment program
26
Cross-compliance
38
Cuba
4, 5, 20
Currency exchange
6, 21, 29, 40
Current plantings concept
31, 38

Dairy
4, 10, 12, 13, 15-17, 19, 21-25, 27, 28, 30, 31, 35, 37-39, 42, 43
Dairy and Tobacco Adjustment Act of 1983
42, 43
Dates
14
DeRouen Rice Act (1935)
9
Debenture
2, 3
Defense Production Act of 1950
20
Deficiency payments
12, 18, 29, 31-33, 41
Depression
1-3, 11, 13, 14
Direct distribution program
15
Disaster payments
30, 34, 36, 37, 40, 42
Diversion, acreage
9, 22, 23, 25, 26, 27, 31, 32, 36, 38, 39, 40, 41, 43, 44
Domestic allotment plan
3, 6
Drought
4, 9-12, 30, 36, 41, 42

Eggs
16, 17
Eisenhower, Dwight
21, 23
Embargoes, export
28, 31, 36, 37, 40
Emergency Assistance Act of 1978
35, 36
Emergency Feed Grain Program (1961)
23-24
Emergency Price Control Act of 1942
16
Emergency Purchase Program
9, 10
Emergency Slaughter Program
8
Ever-normal granary
13, 16
Export promotion
36, 40, 41
Export subsidies
26, 40
Export-debentures
2
Exports
1, 2, 6, 7, 13-15, 20-22, 24-27, 29-31, 33, 35, 36, 38-42, 44

Farm Bureau
2, 37
Farm organizations (general)
1, 24, 27, 37
Farmer-owned grain reserve
31, 33, 36-38, 41, 42
Farmers' Holiday Association
8
Farmers Home Administration
35
Farmers Union
2
Federal Crop Insurance Act of 1980
36
Federal Emergency Relief Adm.
10
Federal Farm Board
2, 3
Federal Surplus Relief Corporation
7, 10
Feed grains
22, 24-28, 30-36, 38, 40, 44
Fertilizers
17, 23, 30

Figs
14
Fixed price supports
17, 18, 23
Flax
4
Flaxseed
16, 18
Flexible price supports
17, 20, 21
Flour
7, 10
Food and Agriculture Act of 1962
24, 25
Food and Agriculture Act of 1965
26-27
Food and Agriculture Act of 1977
31-35
Food stamps
15, 24, 37
Ford, Gerald R.
31
Foreclosures
1, 35
Forests
26
Fourth Deficiency Act (1933)
6
France
19
Frazier, Lynn J.
2
Freeman, Orville
23, 24

Grain sorghum
14, 20
Grange
2
Greenspan program (1970)
28

Hardin, Clifford
27
Hawaii
4
Hay
40
Hogs
2, 3, 4, 8-10, 15, 16, 17, 19
Honey
19, 28
Hoosac-Mills Decision (1936)
5, 10-11
Hope, Clifford R.
17
Hops
14
House of Representatives, U. S.
18, 31, 32, 37, 42

Illinois
2, 9
Import quotas
10, 36
Imports
7, 10, 20, 34, 36
Income, farm
1, 6, 10-15, 18, 21-25, 27, 30-32, 35-38, 40, 44
Income standard
18
Indemnity program
25, 35, 39
Inflation
29, 31, 36, 37
International Emergency Food Reserve
33
International Sugar Agreement
12, 20, 36
International Sugar Council
20
International Wheat Agreement
7, 19
Interstate Commerce Commission
14
Iowa
1

Johnson, Hugh S.
1, 2
Jones-Connally Act (1934)
4
Jones-Costigan Act (1934)
4, 5, 11

Kansas
17
Kennedy, John F.
23, 24
Kerr-Smith Tobacco Control Act (1934)
5, 7
Korean War
20, 21, 23, 29

Labor
5, 12, 19
Land
8, 11, 13, 22, 23, 25, 27, 28, 31, 34, 40-42

Lend-lease
16, 17
Livestock
1, 13, 15, 16, 18, 33, 42
Loan rate
6, 14, 16, 26, 31, 32, 35, 38, 39, 43

McKinley-Adkins bill (1926)
2
McNary, Charles L.
1
McNary-Haugen bill (1924-28)
1-2
Mandatory programs
7, 13, 14, 16, 17, 19, 20, 22-24, 35, 43, 44
Marketing agreements
7, 9, 10, 12
Marketing quotas
12-17, 19-21, 24, 26, 28, 31, 34, 38, 39
Maryland
7
Meat Import Act of 1979
36
Mohair
14, 19, 28, 30, 37, 39
Montana
3

National Corn-Hog Producers' Committee of Twenty-five
8
National Industrial Recovery Act (1933)
6
National Wool Act (1954)
22, 24, 27, 35
National program acreages
33
Naval stores
20
Nixon, Richard M.
27
No Net Cost Tobacco Program Act (1982)
42
Nonbasic commodities
10, 16, 17, 19
Nonrecourse loans
6, 32, 34, 37, 39
North Carolina
7
North Dakota
2
Nuts
12, 17, 19

Oats
20, 23, 24, 27, 32, 33
Office of Management and Budget
36
Omnibus farm bills
26, 37
Omnibus Budget Reconciliation Act (1982)
40-42
Oregon
1
Owen, Harry N.
3

Paid diversions
36, 38, 39, 43, 44
Parity
3-5, 7-9, 11, 13, 14, 16-30, 32, 35, 37-40, 42
Parity payments
5, 13, 14
Payment limitation
13, 27, 29, 33, 40, 41
Payment-in-kind program
5, 23-26, 41, 42, 44
Payments to farmers
2, 4-6, 7, 9-15, 17-19, 22-33, 35-38, 40-44
Peanuts
4, 9, 10, 14-18, 20-22, 24, 27, 34, 36, 37, 39
Peas
16, 18, 19
Pecans
14
Peek, George N.
1
Penalties
17, 24
Pesticides
23
Phillipines
4
Pollution
27
Potatoes
5, 16-20
Poultry
13, 16, 17, 19
Price controls
20, 29
Price fixing
7-9
Processing taxes
3-5, 7, 9-13
Processors
4-7, 25

Prunes
14
Public Law 480 (1954)
21, 24, 29, 30, 40
Puerto Rico
4
Purchases, government
2, 4, 6, 8-10, 15, 19, 25, 27, 28, 30, 33, 34, 35, 38, 39, 41-43

Raisins
14, 35
Reagan, Ronald
36, 37
Reconstruction Finance Corp.
6, 7
Recreation
26, 33
Referendums
3, 6, 13, 14, 16, 22, 24, 25, 29, 30
Research
2, 14, 35
Reserves
13, 16, 21, 22, 30, 31, 33, 36-38, 40-42
Rice
2, 4, 9, 10, 13, 14, 16-18, 20, 22, 23, 26, 27, 31-35, 37, 38, 40, 41, 44
Rice Production Act (1975)
31, 34
Roosevelt, Franklin D.
9, 11
Rosin
14
Rural Environment Conservation Program
30
Rural-urban balance
28
Rye
4, 14, 20, 23, 27

School lunch
15, 24
Secretary of Agriculture
2-4, 6-9, 13, 14, 16, 18-21, 23-30, 32-42, 44
Seeds
14, 15, 23
Section 22 (AAA amendments)
10
Section 32 (AAA amendments)
10, 19
Senate, U. S.
2, 18, 19, 31, 37, 42
Set asides
10, 27-31, 34, 35, 38
Sheep
2
Small farms
13, 28
Soil Bank program
22
Soil Conservation and Domestic Allotment Act (1936)
11, 12, 13, 15
Sorghum
4, 23, 24, 27, 29, 32, 41
South Carolina
7
Soviet Union
6, 31, 36
Soybeans
16, 18, 20, 22, 30, 33, 35, 36, 39, 41
Spillman, W. J.
3
Stabilization
2, 17
Steagall Amendment (1941)
16-18
Stocks (see also carryover)
3, 4, 6, 16, 23, 24, 27, 29, 30, 33, 34, 38, 39, 41, 42, 44
Storage
13, 19, 24, 33, 34, 38, 39, 41
Sugar
4, 5, 11, 12, 15, 20, 27, 31, 35, 36, 37, 39
Sugar Act of 1937
11
Sugar Act of 1948
20
Sugarbeets
5
Supreme Court
5, 10-13
Surpluses
2, 4, 7, 8, 10-14, 15, 17, 21, 23, 24, 27, 37, 40, 42-44
Sweet potatoes
16, 18, 19

Target prices
29, 31, 32, 34-39, 43, 44
Tariff
2, 3, 5
Tariff Act of 1930
5
Taxes
3-6, 7-12, 13, 30, 32, 41
Tenants
13

Tobacco
3-5, 7, 8, 10, 13-22, 26, 27, 29, 40, 42, 43
Truman, Harry
17
Tung nuts
19
Turkeys
16, 18, 19, 24
Turpentine
14

Vegetables
10, 12
Vermont
17
Virgin Islands
4
Virginia
7, 17

Wallace, Henry A.
8
War Industries Board
2
Warren Potato Act (1935)
5
Waterbank Program
30
Wheat
1-4, 6, 7, 13-17, 19-26, 28-38, 40-44
Wildlife
26
Wilson, M. L.
3
Wool
2, 14, 18-20, 22, 24, 26-28, 30, 35, 37, 39
World War I
1, 2
World War II
12, 16, 21, 44