A SHORT HISTORY OF AGRICULTURAL ADJUSTMENT, 1933-75

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ABSTRACT

Many programs of the U.S. Department of Agriculture, particularly those concerned with supporting the prices of farm products and encouraging farmers to adjust production to demand, were initiated by interrelated laws passed by the Congress from 1933 to 1975. This report attempts to provide an overall view, showing how Congress modified legislation to meet changing economic situations, and giving a historical background on program development. It should serve as background for persons concerned with analyzing present farm programs.

Key Words: Agricultural adjustment, price support, legislation, agricultural policy.

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ORIGIN OF ADJUSTMENT PROGRAMS

Many programs of the U.S. Department of Agriculture, particularly those concerned with supporting the prices of farm products and encouraging farmers to adjust production to demand, are the result of a series of interrelated laws passed by Congress from 1933 to 1975. This review attempts to provide an overall view of this legislation and programs, showing how Congress has modified the legislation to meet changing economic situations, and giving a historical background on program development. It should serve as background for economists and others concerned with analyzing present farm programs.

The unprecedented economic crisis which paralyzed the Nation by 1933 struck first and hardest at the farm sector of the economy. For agriculture and rural America, it was the worst economic-social-political wrenching in history. Farmers were forced to the wall. 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. With the United States moving from a debtor to a creditor nation after World War I, and continued loss in the volume and price of exports, the relative decline in the farmers' position had begun in the summer of 1920. 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 1920's, been advising farmers to control production on a voluntary basis--that ready markets and fair prices were shrinking or no longer available. Attempts were made in some areas to organize crop withholding movements on the theory that speculative manipulation was the cause of price declines. When these attempts proved unsuccessful, farmers turned to the more formal organization of cooperative marketing associations as a remedy.

The Agricultural Marketing Act of 1929, establishing the Federal Farm Board, had been enacted on the theory that cooperative marketing organizations aided by the Federal Government could provide a solution to the problem of low farm prices. To supplement this method the Board was also given 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.

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By June 30, 1932, the Federal Farm Board stated that its efforts to stem the disastrous decline in farm prices had failed. In a special report to Congress in December 1932, the Board recommended legislation which would "provide an effective system for regulating acreage or quantities sold, or both." The Board's recommendation on control of acreage or marketing was a step toward the development of a production control program.

Following the election of President Franklin D. Roosevelt, who had committed himself to direct Government action to solve the farm crisis, control of agricultural production became the primary tool for raising the prices and incomes of farmpeople.

THE AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act was approved on May 12, 1933. Its goal of restoring farm purchasing power of agricultural commodities or the fair exchange value of a commodity based upon price relative to the prewar 1909-14 level 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, associations of producers, 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 appropriate funds for the cost of adjustment operations, for the expansion of markets, and for the removal of agricultural surpluses.

Congress declared its intent, at the same time, to protect the consumers interest. This was to be done by readjusting farm production at a level that would not increase the percentage of consumers' retail expenditures above the percentage returned to the farmer 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. Subsequent amendments in 1934 and 1935 expanded the list of basic commodities to include the following: rye, flax, barley, grain sorghums, cattle, peanuts, sugarbeets, sugarcane, and potatoes. However, acreage allotment programs were only in operation for cotton, field corn, peanuts, rice, sugar, most kinds of tobacco, and wheat.

The acreage reduction programs, with their goal of raising farm prices toward parity (the relationship between farm prices and costs which prevailed in 1909-14), could not become effective until after the 1933 crops were ready for market. As an emergency measure during 1933, programs for plowing under portions of planted cotton and tobacco crops were undertaken. The serious financial condition of cotton and corn-hog producers led to demands in the fall of 1933 for price fixing at or near parity levels. The Government responded with nonrecourse loans (the commodity itself was security on the loan) for cotton and corn. The loans were initiated as temporary measures to give farmers in advance some of the benefits to be derived from controlled production, to relieve market glut at harvest time and to stimulate farm purchasing power as a part of the overall recovery program. The level of the first cotton loan, in 1933, at 10 cents a pound, was at approximately 69 percent of parity. The level of the first corn loan, at 45 cents per bushel, was at approximately 60 percent of parity. The loans were made possible by the establishment of the Commodity Credit Corporation (CCC) on October 17, 1933, by Executive Order 6340. The funds for its capital stock, subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration, were secured from an allocation of presidential funds authorized by the National Industrial Recovery Act and the Fourth Deficiency Appropriation Act.

The Bankhead Cotton Control Act of April 21, 1934, and the Kerr-Smith Tobacco Control Act of June 28, 1934, introduced a system of marketing quotas by allotting to producers quotas of tax-exemption certificates and tax-payments warrants which could be used to pay sales taxes imposed by these Acts. This was equivalent to allotting producers the quantities they could market without being taxed. These laws were designed to prevent growers who did not participate in the acreage reduction program from sharing in its financial benefits. These measures introduced the mandatory use of referendums by requiring that two-thirds of the producers of cotton, or growers controlling three-fourths of the acreage of tobacco, had to vote for a continuation of each program if it was to be in effect after the first year of operation.

Surplus disposal programs of the Department of Agriculture 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 the Department 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. The pork products were distributed to unemployed families. During 1934 and early 1935, meat from animals purchased with special drought funds was also turned over for relief distribution. Other food products purchased for surplus removal and distribution in relief channels included butter, cheese, and flour. Section 32 of the amendments of August 24, 1935, to the Agricultural Adjustment Act set aside 30 percent of the customs receipts for the removal of surplus farm products or the purchase of commodities and products, to encourage exports, and to make payments as necessary in connection with normal production to reestablish farmers' purchasing power.

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. They were also in operation for a short period for the basic commodities of tobacco and rice, and for peanuts before their designation as a basic commodity.

The Act of August 24, 1935, amended the Agricultural Adjustment Act to authorize the substitution of orders issued by the Secretaty of Agriculture, with or without marketing agreements, for agreements and licenses.

An amendment in the 1935 Act, Section 22, also authorized the President to impose import quotas under prescribed conditions. Section 22, as amended, directs the Secretary of Agriculture to advise the President whenever he has reason to believe that any article or articles being imported under conditions and in quantities would: (1) render or tend to render ineffective or materially interfere with any price support or other program, relating to commodities, undertaken by USDA, or (2) reduce substantially the amount of any product processed in the United States from any commodity or product for which a program is being undertaken.

If the President agrees with the Secretary that action is needed, he directs the U.S. International Trade Commission to conduct an investigation and report back its findings. Based on these findings, the President is authorized to impose fees or quotas he determines necessary.

Whenever the Secretary reports to the President that a condition exists requiring emergency treatment, the President may take action under Section 22 without awaiting the report of the Commission. This continues in effect until the President takes further action after receipt of the report and recommendations of the Commission.

No trade agreement or other international agreement entered into at any time by the United States may be applied in a manner inconsistent with the requirements of Section 22.

The Agricultural Adjustment Program was brought to an abrupt halt on January 6, 1936, by the Hoosac Mills decision of the Supreme Court, which invalidated the production control provisions of the Agricultural Adjustment Act of May 12, 1933, that were carried out through contracts between the Federal Government and individual farmers, and financed by processing taxes.

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 farm income 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 the average cash farm income in 1932.

THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT OF 1936

The Supreme Court's ruling against the production control provisions of the Agricultural Adjustment Act presented the Congress and the Department with the problem of finding a new approach before the spring planting season. Probable overplanting, overproduction, and depressed prices were facts that had to be faced. Department officials and spokesmen for 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 was approved on February 29, 1936. The Act combined the objective of promoting soil conservation and profitable use of agricultural resources with that of reestablishing and maintaining farm income at fair levels. The goal of income parity, as distinguished from price parity, was introduced into legislation for the first time. 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 August 1909-July 1914.

President Roosevelt stated as 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. Soil-building payments for seeding soil-building crops on cropland and for carrying out approved soil-building practices on cropland or pasture were also offered.

Curtailment in crop production due to a severe drought in 1936 tended to obscure 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 utilization.

The supply and price situation was particularly serious for cotton. With a large crop and prospects for a world carryover of all cotton of 17 or 18 million bales, about the same as the record carryover of 1932, and with prices for cotton falling sharply, producers felt threatened with another serious depression. Demands were made for loans and price adjustment payments. Congress responded on August 24, 1937, by making $130 million available for cotton price adjustment payments to producers who would agree 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.

THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

After the Supreme Court's action in 1936, Congress enacted 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 originally set up differently for two general types of commodities--milk and other commodities--because of the great difference in marketing problems of the industries.

In the case of milk, regulations involve (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 are set at a higher level than prices for other uses.

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

THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Department officials and spokesmen for farm organizations began working on plans for new legislation to supplement the Soil Conservation and Domestic Allotment Act. The Agricultural Adjustment Act of 1938, approved February 6, 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. In this Act (section 202), the Congress enacted the first comprehensive legislation dealing with price support. Marketing control was substituted for direct production control, and authority was based on Congressional power to regulate interstate and foreign commerce.

The new features of the legislation 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, to 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, special payments were made in 10 States to farmers who cooperated in a program to retire land unsuitable for cultivation. This was part of a restoration land program initiated in 1938. The attainment, insofar as practicable, of parity prices and parity income was stated as a goal of the legislation. Another goal was the protection of consumers by the maintenance of adequate reserves of food, feed, and fiber. Systematic storage of supplies made possible by nonrecourse loans was the basis for the Department's Ever-Normal Granary plan.

Department officials moved quickly to activate the new legislation to avert another depression which was threatening to engulf agriculture and other economic sectors in the Nation. 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 was 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.

Loans for commodities other than corn, cotton, and wheat were authorized, but their use was left to the Secretary's discretion. "Permissive" 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. They 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 record-breaking 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 Commodity Credit Corporation, 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 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; it remained 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. The 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.

In the meantime, the Department had been developing new programs to dispose of surplus food and to 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 participating 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 resulting from CCC takeover of defaulted price support loans, which had caused criticism of the Ever-Normal Granary, became a military reserve of crucial importance after the United States entered World War II. Concern over the need to reduce the buildup of Government stocks--a task complicated by legislative barriers such as the minimum national allotment of 55 million acres for wheat, the restrictions on sale of stocks of the Commodity Credit Corporation, and the legislative definition of farm marketing quotas as the actual production or normal production on allotted acreage--changed during the war and post-war period to concern about attainment of production to meet war and post-war needs.

On December 26, 1940, the Department asked farmers to revise plans and to have at least as many sows farrowing in 1941 as in 1940. Following the 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. Approval of a quota program by producer referendum was required. If disapproved, the support level would be at 50 percent of parity.

Congress decided that legislation was needed to insure that farmers shared in the profits which defense contracts were bringing to the American economy and as an incentive to wartime production. It passed legislation, approved on May 26, 1941, to raise the loan rates of cotton, corn, wheat, rice, and tobacco, for which producers had not disapproved marketing quotas, up to 85 percent of parity. The 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 crops.

Legislation raising the loan rates for basic commodities was followed by the "Steagall Amendment" on July 1, 1941. This Amendment 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 a law 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 price support level, loans were not made.

The legislation of October 2, 1942, raised the price support level to 90 percent of parity for the nonbasic commodities for which an increase in production was requested. The following were entitled to 90 percent of parity by the Steagall Amendment: 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 sweetpotatoes.

The price support rate for cotton was raised to 92 1/2 percent of parity and that for corn, rice, and wheat was set at 90 percent of parity by a law approved on June 30, 1944. Since the price of rice was far above the support level for rice, 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. Cotton was purchased by the Commodity Credit Corporation 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, the Department 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 special war crop goals. Marketing quotas were retained throughout the war period on burley and flue-cured tobacco to encourage production of crops needed for the war. 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 post-war needs of people abroad who had suffered war's destruction.

Legislation approved on July 28, 1945, required that the support rate 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.

POST-WAR PRICE SUPPORTS

An Act of August 5, 1947, required support of wool prices until December 31, 1948, at the 1946 support level.

With wartime price supports scheduled to expire on December 31, 1948, price support levels for basic commodities 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. Following extensive hearings that began in 1947 by Committees of the Congress, both in Washington and in the field on farm policy and program direction, Congress decided that new legislation was needed, and the Agricultural Act of 1948, which also contained amendments to the Agricultural Adjustment Act of 1938, was approved on July 3, 1948.

The Act provided mandatory price support at 90 percent of parity for the 1949 crops of wheat, corn, rice, peanuts marketed as nuts, cotton, and tobacco marketed before June 30, 1950, if producers had not disapproved marketing quotas. Mandatory price support at 90 percent of parity or comparable price was also provided for Irish potatoes harvested before January 1, 1949, hogs, chickens over 3 1/2 pounds live weight, eggs, and milk and its products through December 31, 1949.

Price support was provided for edible dry beans, edible dry peas, turkeys, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, and sweetpotatoes through December 31, 1949, at not less than 60 percent of parity or comparable price nor higher than the level at which the commodity was supported in 1948.

The Act authorized the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for price support to producers of all nonbasic commodities marketed in 1949.

Price support for wool marketed before June 30, 1950, was authorized at the 1946 price support level, an average price to farmers of 42.3 cents per pound. Price support was authorized for other commodities through December 31, 1949, at a fair relationship with other commodities receiving support, if funds were available.

The parity formula was revised to make the pattern of relationships among parity prices dependent upon the pattern of relationships of the market prices of such commodities during the most recent moving 10-year period. This revision was made to adjust for changes in productivity and other factors which had occurred since the base period 1909-14.

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

The 1949 Act set support prices for basic commodities at 90 percent of parity for 1950 and between 80 percent and 90 percent for 1951 crops, if producers had not disapproved marketing quotas or (except for tobacco) if acreage allotments or marketing quotas were in effect. For tobacco, price support was to continue after 1950 at 90 percent of parity if marketing quotas were in effect. For the 1952 and succeeding crops, 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. Whole milk and butterfat and their products were to be supported at the level between 75 and 90 percent of parity which would assure an adequate supply. Price support was to be carried out by loans on, or purchases of, milk and the products of milk. Wool was to be supported at such a level, between 60 and 90 percent of parity, as was necessary 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 a public hearing, that the higher price support level was necessary to prevent or alleviate a shortage in commodities essential to national welfare, or to increase or maintain production of a commodity in the interest of national security.

The Act 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 the index of prices received. For basic commodities, the effective parity price through 1954 was to be the "old" or the "modernized," whichever was higher. For many nonbasic commodities, the modernized parity price became effective in 1950. However, parity prices for individual commodities under the modernized formula, provided in the Act of 1948, were not to drop more than 5 percent a year from what they would have been under the old formula.

The Act provided for loans to cooperatives for the construction of storage facilities and for certain changes with respect to acreage allotment and marketing quota provisions, and directed that Section 32 funds be used principally for perishable, nonbasic commodities. The Act added some new provisions on the sale of commodities held by the Commodity Credit Corporation. Prices were to be supported by loans, purchases, or other operations.

Under authority of the Agricultural Act of 1949, price support for basic commodities was 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 sweetpotatoes were discontinued in 1950.

THE KOREAN WAR

The flexible price support provisions of the Agricultural Act of 1949 were used for only one basic commodity during 1951. Secretary Charles F. Brannan used the national security provision of the Act to keep price support levels at 90 percent of parity for all of the basic commodities except peanuts. The price support rate for peanuts was raised to 90 percent for 1952. The outbreak of the Korean War on June 25, 1950, made it necessary for the Department to adjust its programs to secure the production of sufficient food and fiber to meet any eventuality. 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.

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.

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. It covered the 1953 and 1954 crops of basic commodities if the producers had not disapproved marketing quotas. This legislation 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.

On March 28, 1952, Congress repealed the authorization to market peanuts for oil in excess of marketing quotas without paying a penalty.

LEVELS OF PRICE SUPPORT--FIXED OR FLEXIBLE?

The end of the Korean War in 1953 necessitated changes in price support, production control, and related programs. For the next 8 years, controversy over levels of support--high, fixed levels versus a flexible scale--dominated the scene.

Secretary of Agriculture Ezra Taft Benson proclaimed marketing quotas for the 1954 crops of wheat and cotton on June 1, 1953, and October 9, 1953, respectively. The major types of tobacco and peanuts continued under marketing quotas. However, quotas were not imposed on corn. 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. Supports were continued at 90 percent of parity for basic crops during 1953 and 1954, in accordance with the legislation of July 17, 1952.

The Agricultural Trade Development and Assistance Act, better known as Public Law 480, was approved July 10, 1954. This Act, which served as the basic authority for sale of surplus agricultural commodities for foreign currency, to make shipments for emergency relief, and to barter farm products for strategic material, proved to be of major importance in disposing of farm products abroad.

The Agricultural Act of 1954, approved August 28, 1954, established price supports for the basic commodities on a flexible basis, ranging from 82.5 percent of parity to 90 percent 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. The transition to flexible support was to be eased by "set asides" of basic commodities. Not more than specified maximum nor less than specified minimum quantities of these commodities were to be excluded from the "carryover" for the purpose of computing the level of support. Special provisions were added for various commodities. One of the most interesting, under the National Wool Act, required that the price of wool be supported at a level between 60 and 110 percent of parity, with incentive payments to producers authorized as a method of support. This method of support is still in effect.

THE SOIL BANK

The Soil Bank, established by the Agricultural Act of 1956, was a large-scale effort, similar in some respects to programs of the 1930's, to bring about adjustments between supply and demand for agricultural products by taking farmland out of production. 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. Under its terms, 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 last year of the program was 1958.

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.

The Agricultural Act of August 28, 1958, made innovations in the cotton and corn support programs. It also provided for continuation of supports for rice, without requiring the exact level of support to be based on supply. Price support for most feed grains became mandatory.

For 1959 and 1960, each cotton farmer was to choose 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.

Corn farmers, in a referendum to be held not later than December 15, 1958, were given the option of voting either to discontinue acreage allotments for the 1959 and subsequent crops and to receive supports at 90 percent of the average farm price for the preceding 3 years but 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.

FARM PROGRAMS IN THE 1960'S

President John F. Kennedy's first executive order, after his inauguration on January 20, 1961, directed Secretary of Agriculture Orville L. Freeman to expand the program of food distribution to needy persons. This was done immediately. 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.

In another race "against the sun" to have a program in effect before planting time, the new Administration's first law dealing with agriculture, the Feed Grain Act, was approved March 22, 1961. It provided that the 1961 crop of corn should be supported at not less than 65 percent of parity (the actual rate was 74 percent), and established a special program for diverting corn and grain sorghum acreage to soil-conserving crops or practices. Producers were eligible for price support only after retiring at least 20 percent of the average acreage devoted to the two crops in 1959 and 1960.

The Agricultural Act of 1961 was approved August 8, 1961. Specific programs were established for the 1962 crops of wheat and feed grains, aimed at diverting acreage from these crops. The Act authorized marketing orders for peanuts, turkeys, cherries, and 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 Food and Agriculture Act of 1962, signed September 27, 1962, continued the feed grain program for 1963. It provided that price supports would be set by the Secretary between 65 and 90 percent of parity for corn and related prices for other feeds. Producers were required to participate in the acreage diversion as a condition of eligibility for price support.

The Act of 1962 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.

Under the new law beginning in 1964, the 55-million-acre minimum national allotment of wheat acreage was permanently abolished, and the Secretary could set allotments as low as necessary to limit production to the amount needed. Farmers were to decide 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 set at a figure based upon its value as feed. The 15-acre exemption was also to be cut. 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 alternatives was defeated in a referendum held on May 21, 1963, but a law passed early in 1964 kept the second alternative from becoming effective.

On May 20, 1963, another feed grain bill permitted continuation in 1964-65, with modifications, of previous legislation. It provided supports for corn for both years at 65 to 90 percent of parity, and authorized the Secretary to require additional acreage diversion.

The most important farm legislation in 1964 was the Cotton-Wheat Act, approved April 11, 1964. 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. A farmer complying with his regular allotment was to have his crop supported at 30 cents a pound (about 73.6 percent of parity). A farmer planting only his domestic allotment would receive a support price up to 15 percent higher (the actual figure in 1964 was 33.5 cents a pound).

The Cotton-Wheat Act of 1964 set up a voluntary wheat-marketing certificate program for 1964 and 1965, under which farmers who complied with acreage allotments and agreed to participate in a land-diversion program would receive price supports, marketing certificates, and land-diversion payments, while noncompliers would receive no benefits. 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 from 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) would be 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 at $1.30, about 52 percent of parity. Generally, price supports through loans and purchases on wheat were at $1.30 per bushel in 1964, around the world market price, while farmers participating in the program received negotiable certificates which the Commodity Credit Corporation 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.

The carryover of all wheat on July 1, 1965, totaled 819 million bushels, compared with 901 million bushels in 1964 and 1.3 billion bushels in 1960.

A dairy indemnity program was authorized also in 1964. Under this program, the Department makes 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.

An Act of April 16, 1965, provided for acreage-poundage farm marketing quotas on flue-cured tobacco. When such quotas are in effect, price support is to be available on, not to exceed, 110 percent of the quota for the farm. In the case of burley tobacco price support is to be available on, not to exceed, 120 percent of the quota for the farm.

Marketing quotas have been in effect for most types of tobacco since 1965.

THE FOOD AND AGRICULTURE ACT OF 1965

Programs established by the Food and Agriculture Act of 1965, approved November 3, 1965, were to be in effect from 1966 through 1969, but were extended through 1970.

Milk was one of the commodities covered. After producers in a milk marketing area had approved an overall plan authorized by this legislation, each dairy producer in a milk marketing area received a fluid milk base, thus permitting him to cut his surplus production. The Wool Act of 1954, as amended, and the voluntary feed grain program begun in 1961 were extended.

Based upon the concept of a "one price" system, the market price of cotton was supported at 90 percent of estimated world price levels, thus making payments to mills and export subsidies unnecessary. Incomes of cotton farmers were maintained through payments based on the extent of their participation in the allotment program, with special provisions for protecting the income of farmers with small cotton acreages. Participation was voluntary (although price support eligibility generally depended on participation) with a minimum acreage reduction of 12.5 percent from effective farm allotments required for participation on all but small farms.

The voluntary wheat certificate program begun in 1964 was extended with only limited 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.

The Act established a Cropland Adjustment Program. The Secretary was authorized to enter into 5- to 10-year contracts with farmers calling for conversion of cropland into practices or uses which would conserve water, soil, wildlife, or forest resources, or establish or protect or conserve open spaces, national beauty, 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. The Greenspan Program of the Department was carried out as a part of the Cropland Adjustment Program.

Legislation approved August 11, 1968, provided lower price support loans for extra-long staple cotton, 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 Commodity Credit Corporation.

THE AGRICULTURAL ACT OF 1970

With the change in administration in 1969, both the Department and the Congressional Committees undertook legislative reviews to develop a program to replace the 1965 Food and Agriculture Act due to expire at the end of 1970. Secretary Hardin and members of his staff met in evening discussion groups with Chairman Poage and other members and staff of the House Agriculture Committee.

The Agricultural Act of 1970, approved November 30, 1970, reflected a number of compromises between the position of the Administration and that of the Senate Committee. It was, however, opposed by all major farm organizations for widely differing reasons. The new Act, a 3-year program, discontinued the use of acreage allotments and marketing quotas for wheat, upland cotton, and feed grains. To qualify for price support, the farmer was required to keep a specific percentage of his cropland out of production, with this acreage set aside to be put to conserving practices. He could then grow whatever he wished on his remaining land, except for the crops that remained under controls--the so-called quota crops--because of earlier legislation not affected by the new Act. These crops included rice, sugar, peanuts, tobacco, and extra-long staple cotton. Payment units were established at an annual ceiling of $55,000 per crop, excluding commodity loans and purchases, for producers of upland cotton, wheat, and feed grains.

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. In addition, 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 than 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.

Cotton planters were also 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. allotment.

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. Milk was to continue to be supported at a level between 75 and 90 percent of parity, but price support for butterfat was discontinued. However, 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 milk and 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 donation of dairy products held by the Commodity Credit Corporation to military agencies.

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 utilization of pesticides 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.

The feed grain program covered corn, grain sorghum, and barley if it was designated. 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. A producer would receive a payment equal to the difference between the support price and market price on half his base production. Producers, in order to be eligible for payments, loans, and purchases, were to set aside for approved conservation uses specified acreages of cropland if a set-aside program was in effect.

The Act extended provisions of Public Law 480, the "Food for Peace" program, through calendar year 1973.

Authorization was continued for the Cropland Conversion and Greenspan long-term land retirement programs at an authorized appropriation level of $10 million annually for each program. The "Greenspan" type of program was authorized to assist public entities in acquiring cropland for permanent retirement to noncrop uses including preservation of open spaces, wildlife or recreational facilities, and pollution prevention.

Congress declared as public policy achievement of a sound rural-urban balance and provided for 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.

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.

THE AGRICULTURE AND CONSUMER PROTECTION ACT OF 1973

By 1973 the demand for American farm products was at a high level due to world crop shortages and world-wide inflation. World demand combined with export subsidies and the devaluation of the dollar had liquidated the stocks which had been built up under previous price support programs.

The Agriculture and Consumer Protection Act of 1973 placed its emphasis on production to respond to "ever-growing world-wide demand for food and fiber." Secretary Butz proclaimed that the legislation represented "an historic turning point in the philosophy of farm programs in the United States." The fundamental difference was its emphasis on maintaining or increasing production in contrast to earlier programs to curtail production of wheat, corn, upland cotton, and tobacco.

A new concept of target prices was introduced which was only to be used when market prices fell below the target levels. Payment rates would be 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. Payments were not to be made as they had in earlier programs when market prices were high. Target prices for 1974 and 1975 were set 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 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) published by the Department and changes in productivity. 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 authorization for payments to producers when prices did not reach target levels the Act provided for loans to producers at levels below market prices to put greater reliance on the market places. For loan rates the parity concept as well as a price level per bushel was used to set the limit on the Secretary's discretion. In the case of wheat the loan level 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, taking a number of factors into consideration. For corn the loan was to be at a level not less than $1.10 per bushel nor more than 90 percent of parity, as the Secretary determined would encourage the export of feed grain and not result in excessive grain stocks in the United States. The loan rates for other feed grain were to be established in relation to corn. The Secretary suspended the farm conserving base requirement, and designated barley a feed grain for program purposes, for the duration of the Act.

The parity concept was not used in the setting of loan rate levels for upland cotton, which were to be established to reflect 90 percent of the average price of American cotton in world markets for the preceding 3-year period. The total amount of payments to any person under the wheat, feed grain, and upland cotton programs was limited to $20,000. This did not include loans or purchases.

"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 his normal production of the allotment crop.

Provision was also made to establish a disaster reserve of inventories not to exceed 75 million bushels of wheat, feed grains, and soybeans to alleviate distress caused by natural disaster.

The support price for milk was to be at a level 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, reflect changes in the cost of production, and to assure a level of farm income adequate to maintain productive capacity. Price support would be provided through purchases of milk and the products of milk. Support has been carried out through purchases of butter, nonfat dry milk, and cheese.

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.

The Secretary was directed to determine and apportion national acreage allotments for wheat, feed grains, and upland cotton. Authority for set-asides of cropland 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 usage was authorized.

Although CCC held virtually no inventories, Public Law 480 was extended 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.

Due to the greatly increased foreign demand over the past few years, the Agriculture and Consumer Protection Act has brought about a change in emphasis. 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 referendum for establishing quotas) and to support prices, is still available as standby authority. The authority would be applicable, as amended for specific commodities, if the 1973 Act were to expire, if the current high foreign demand for agricultural commodities should not continue, or if another technological explosion were to occur.

Support levels, relative to parity, would reflect provisions of the 1949 Act, as amended specifically for the various commodities. However, because of major foreign sales in 1972, and continuing demand, earlier surpluses have virtually disappeared and prices through 1975 remained above target levels. On August 21, 1975, the Secretary of Agriculture announced there would be no acreage set aside from production for the 1976 feed grain, wheat, and upland cotton programs. The continuation of no set-aside requirements in future years will be contingent on a high level of foreign demand.

For over 40 years, price support and adjustment programs have had an important impact upon the farm and national economy. Consumers have consistently had a reliable supply of farm products for a smaller proportion of their income than anywhere else in the world. Farmers have been assured of at least specified minimum prices for their products. The legislation and resulting programs have been modified to meet varying conditions of depression, war, and prosperity, and have sought to give farmers, in general, the opportunity to attain economic equality with other segments of the economy.