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A Short History of Price Support and Adjustment Legislation and Programs for Agriculture, 1933-65

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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 the Congress from 1933 to 1965. 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. 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. Thus, farmers were caught in a serious squeeze between the prices they received and the prices they had to pay.

Farm journals and farm organizations had, since the 1920's, 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 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 stabilization corporations for the purpose of controlling any surplus through purchase operations. 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 farm people.

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 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. 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, sugar beets, sugarcane, and potatoes. However, acreage allotment programs were only in operation for cotton, field corn, peanuts, rice, sugar, 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 the 1933 crops were ready for market. As an emergency measure during 1933, programs for plowing under portions of planted cotton and tobacco 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 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 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 on October 17, 1933, by Executive Order 6340. The funds were secured from an allocation 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 Tobacco Control Act of June 28, 1934, introduced a system of marketing quotas by allotting to producers quotas of tax-exemption certificates and tax-payment 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.

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.

On August 24, 1935, amendments to the Agricultural Adjustment Act authorized the substitution of orders issued by the Secretary of

Agriculture, with or without marketing agreements, for agreements and licenses.

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.

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. 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. This 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 fibre." 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.

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. 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 unsuited to cultivation as 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 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 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.

The agricultural adjustment program became fully operative in the 1939-40 marketing year, when crop allotments were available to all farmers before planting time. Commodity loans were available in time for most producers to take advantage of them.

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.

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 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 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 long-run 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 price-supporting 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 postwar period to concern about attainment of production to meet war and postwar 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.

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 and were later extended to subsequent crops of cotton, corn, wheat, peanuts, rice, and tobacco.

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. With controls removed, the adjustment machinery was used to secure increased production for war requirements and for postwar needs of people abroad who had suffered war's destruction.

Postwar Price Supports

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. 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. Wool was to be supported at such 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, 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.

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, 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 supported at 90 percent of parity when marketing quotas were in effect. The transition to flexible supports 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 payments to producers authorized as a method of support. This method of support has continued 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 crop land 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 contract in this reserve.

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 of American agricultural abundance abroad.

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 supports 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 alternative 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 complying with 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

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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.

The Food and Agriculture Act of 1965

Programs established by the Food and Agriculture Act of 1965, approved November 3, 1965, are to be in effect from 1966 through 1969. After approval of the plan in referendum, each dairy producer in a milk marketing area is to receive a fluid milk base, thus permitting him to cut his surplus production. The Wool Act of 1954 and the voluntary feed grain program begun in 1961 are extended through 1969.

The market price of cotton is to be supported at 90 percent of estimated world price levels, thus making payments to mills and export subsidies unnecessary. Incomes of cotton farmers are to be 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 is to be voluntary (although price support eligibility generally depends 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 is extended through 1969 with only limited changes. The rice program is to be continued, but an acreage diversion program similar to wheat is to be effective whenever the national acreage allotment for rice is reduced below the 1965 figure.

The Act established a cropland adjustment program. The Secretary is authorized to enter into 5- to 10-year contracts with farmers calling for conversion of cropland into practices or uses which will 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 are 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 may not obligate more than $225 million per calendar year.

The Food and Agriculture Act of 1965, which offers farmers a base for planning for the next 4 years, continues many of the features which have characterized farm legislation since 1933. For a third of a century, 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, but the proportion of consumers' income spent for these products has declined. 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, economic equality with other segments of the economy.