AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

W. C. Coffey, Acting Director

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Prepared by the Division of Agricultural Economics
University Farm, St. Paul, Minnesota

# RECENT AGRICULTURAL ADJUSTMENT LEGISLATION

Prepared by O. B. Jesness

The Agricultural Adjustment Act passed in May, 1933, has been supplemented by additional acts passed since that time. The most recent of these measures are the amendments to the Adjustment Act, the Bankhead Cotton Act and the Kerr Tobacco Act, and the Potato Act of 1935, all of which were enacted in August, 1935. The discussion which follows will be directed mainly to the amendment to the Agricultural Adjustment Act and to the Potato Act.

The original purpose in proposing amendments to the Agricultural Adjustment Act was to clarify, strengthen and supplement the earlier enactment. The Supreme Court's decision relating to the National Industrial Recovery Act and decisions of lower courts which raised doubts about the constitutionality of certain provisions of the adjustment legislation, added a second purpose of strengthening features most likely to lead to a decision of unconstitutionality.

Among the latter, the question of delegation of authority occupies an important place. The recent amendment "directs" the Secretary of Agriculture to do certain things in place of merely "authorizing" him as was the case in the original act. More definite specifications are set up as to conditions under which corrective measures are to be applied and the corrective measures to be used are specified in greater detail. The amendment likewise seeks to clarify the definition of interstate commerce to bring it into line with court decisions. One point on which the constitutionality of the original act was questioned was that of delegation of the legislative function of taxation to an administrative agency. To meet this, the amendment legalizes and ratifies processing taxes, benefit and rental payments, and adjustment programs in force prior to its enactment. It also fixes the existing tax rates for specified commodities as the rates to be in effect through 1937, with provisions for flexibility as prices change. If the flexible provisions should be held invalid, the existing rates are to be continued. Under the amendment congress definitely appropriates for the purposes set forth funds equivalent in amount to the processing tax collections. This presumably is designed to overcome the danger that processing taxes might be held invalid because of not being collected for public purposes.

Provisions relating to parity prices have been elaborated in the amendment. Fair exchange value, as defined in the recent act, includes a comparison of interest paid on farm mortgages and tax rates on farm land at present with such payments during the base period in addition to the relationship of commodity prices. The purpose of this is to permit consideration of the increase in interest and tax burdens of farmers in calculating parity prices. While existing processing tax rates are not raised by the act to take care of this addition, the inclusion of these fixed charges may have some future effect in cases where prices of given commodities attain parity.

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The original act included some provisions designed to assure consumers that they would be protected against undue rises in farm prices because of the program. Agitation by consumer groups against high prices for certain foods, particularly meat, probably was a factor in amplifying these provisions in the recent amendment. It is stipulated that the legislation authorizes no action to maintain prices to farmers above the fair exchange values.

The so-called "ever-normal granary" idea is provided for in the amendment. The Secretary of Agriculture is authorized to acquire agricultural commodities pledged as security for a loan from any federal agency made upon the condition that the borrower comply with an adjustment program. He is further authorized, subject to the consent of the producer, to make benefit or rental payments "in quantities of one or more basic agricultural commodities" thus acquired. The theory back of the ever-normal granary plan is that it will furnish a way of reducing fluctuations in supply from season to season by carrying over from seasons of surplus to seasons of smaller output.

A considerable part of the amendment is devoted to marketing agreements and orders. The original act authorized the Secretary to license handlers as a means of enforcement. The amendment substitutes "orders" for licenses. Marketing agreements may be employed for any agricultural product but the use of orders is restricted to specified products. A number of detailed provisions which orders shall or may include under varying circumstances are included. Penalties for violation of orders are stipulated. The amendment authorizes the Secretary to call for reports from parties to a marketing agreement and from handlers subject to an order and to examine books if the information is not furnished or for the purpose of verifying its correctness.

Recent legislation amplifies provisions relating to international trade in agricultural products. If the President believes that imports are rendering any program ineffective or interfering materially with its operation, he shall direct the Tariff Commission to investigate the situation. If the findings indicate this to be the case, he may impose limitations upon imports of the articles in question. This limitation, however, is not to restrict imports to an amount less than 50 per cent of the average imported from any country during the years 1928-33. A separate act appropriates 30 per cent of the annual gross receipts from import duties, for a fund available to the Secretary of Agriculture to (1) encourage agricultural exports (except of unmanufactured cotton) by the payment of subsidies, (2) encourage domestic consumption by diverting commodities from normal channels of trade, and (3) finance adjustments in production. The last of these uses is not to be employed unless the fund is not needed for (1) and (2). The receipts from import duties for the year ending June 30, 1934, totalled about 313 million dollars.

Some disappointment has been evidenced by cooperative leaders because cooperatives have not been called upon to play a more important role in the adjustment program. It is of interest in this connection to note the provision in the recent act which directs the Secretary to "accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress".

The adjustment program for potatoes is found in the "Potato Act of 1935". In its broad features this program compares with that previously established for cotton and tobacco in the Bankhead and Kerr Acts. A tax is levied on the first sale of potatoes at the rate of 3/4 cents a pound to be paid by the producer but a certain basic allotment to be set up for each producer is exempt. (The tax rate may be lowered to not less than 1/2 cents a pound if the Secretary finds that the higher rate affects orderly marketing adversely, depresses the farm price or causes an excessive shift in consumption.) A tax exempt national allotment is to be set up annually. This is to be apportioned among the states in accordance with past production. These allotments in turn are to be apportioned among individual producers. Tax exemption stamps are to be issued to each producer for his allotment, the objective being to levy a tax on the producer who is not in the program or who produces a surplus above his allotment. All potatoes are to be packaged in order to facilitate tax collections. Penalties are provided to enforce the program.

The legislation recently approved appropriated additional funds for the elimination of diseased cattle. Amendments and extensions to the cotton and tobacco acts were also made. Authorization is also given for the employment of funds from the emergency relief appropriation for the acquisition of submarginal lands.

Basically, the adjustment program has not been changed greatly. There is, however, a suggestion of a shift from an emergency or short-time view of adjustment to a longer-time program. In such a shift, careful consideration sooner or later must be given to changes needed to adapt it to more extended operation. Thus, as time goes on, production during periods prior to the adoption of the adjustment program becomes less satisfactory as a base for allotments and adjustments. Unless flexibility is introduced, some desirable shifts in production will be prevented. It will become more necessary to look upon the farm business as a whole rather than to make more or less independent programs for individual enterprises. It is not enough merely to provide for what appear to be desirable adjustments in corn and hogs, for example. The effects of these adjustments on other enterprises such as dairying and beef cattle and upon the farm business as a whole must be considered. If the adjustment program is to be continued over a period of years, will it be necessary to extend control to include all farm operations? If so, can farming be carried on over a long period of time with better results under such control than if more reliance is placed upon adjustments arising from decisions of individual farmers? Future agricultural policy should be developed on the basis of a very careful consideration of questions such as these.

The recent legislation continues the trend towards economic nationalism in spite of the crying need for an expansion of agricultural exports. The provision for export subsidies is a reminder of equalization fee and export debenture proposals of some years ago. However, too much should not be expected from export bounties in view of the extensive trade restrictions in force thruout the world. Perhaps it may be helpful in focusing more attention upon subsidies provided by restrictions upon imports and thereby lead to greater demand for reduction in trade barriers.

Past experiences with governmental acquisition of surpluses suggest that the ever-normal granary idea may encounter operating difficulties. Pressure may be expected to be strong to have the government make loans above the current market in years of heavy surplus and to refrain from disposing of all these holdings at later times when prices may have improved.

The new potato program will be more difficult to operate than the cotton and tobacco programs. Allotments first among the states and then among individual growers will be necessary. The numerous outlets for the sale of potatoes will add to the difficulties from tax evasion. Much will depend upon how generally growers will support the program. It may serve as a test of the applicability of the tax method of controlling the volume of sales of agricultural products generally.

# MINNESOTA FARM PRICES FOR AUGUST 1935

Prepared by W. C. Waite and W. B. Garver

The index number of Minnesota farm prices for the month of August 1935 was 70.8. When the average of farm prices of the three Augusts 1924-25-26 is represented by 100, the indexes for August of each year from 1924 to date are as follows:

| | | | |
|---|---|---|---|
| August 1924 | 95.2 | August 1930 | 80.7 |
| " 1925 | 104.5 | " 1931 | 55.2 |
| " 1926 | 100.5 | " 1932 | 40.9 |
| " 1927 | 99.9 | " 1933 | 54.3 |
| " 1928 | 100.3 | " 1934 | 72.4* |
| " 1929 | 104.2 | " 1935 | 70.8* |

*Preliminary

The price index of 70.8 for the past month is the net result of increases and decreases in the prices of farm products in August 1935 over the average of August 1924-25-26 weighted according to their relative importance. This preliminary index number is somewhat higher than the final index number will be since marketings of hogs have been sharply reduced during the past July and August and no account is taken of this in the preliminary figure.

Average Farm Prices Used in Computing the Minnesota Farm Price Index, August 15, 1935, with Comparisons*

| | Aug. 15, 1935 | July 15, 1935 | Aug. 15, 1934 | Av. Aug. 1924-25-26 | % Aug. 15, 1935 is of July 15, 1935 | % Aug. 15, 1935 is of Aug. 15, 1934 | % Aug. 15, 1935 is of Aug. 15, 1924-25-26 |
|---|---|---|---|---|---|---|---|
| Wheat | $.99 | $.88 | $1.03 | $1.38 | 112 | 96 | 72 |
| Corn | .67 | .70 | .65 | .94 | 96 | 103 | 71 |
| Oats | .22 | .30 | .44 | .35 | 73 | 50 | 63 |
| Barley | .32 | .39 | .73 | .60 | 82 | 44 | 53 |
| Rye | .31 | .29 | .74 | .81 | 107 | 42 | 38 |
| Flax | 1.37 | 1.35 | 1.80 | 2.24 | 101 | 76 | 61 |
| Potatoes | .42 | .42 | .60 | 1.17 | 100 | 70 | 36 |
| Hogs | 10.70 | 8.60 | 4.55 | 10.58 | 124 | 235 | 100 |
| Cattle | 6.70 | 6.90 | 3.70 | 6.08 | 97 | 181 | 110 |
| Calves | 7.20 | 7.00 | 4.75 | 8.67 | 103 | 152 | 83 |
| Lambs-sheep | 6.92 | 6.69 | 5.46 | 11.06 | 103 | 127 | 63 |
| Chickens | .125 | .115 | .094 | .182 | 109 | 133 | 69 |
| Eggs | .21 | .20 | .15 | .26 | 102 | 139 | 80 |
| Butterfat | .24 | .23 | .26 | .41 | 104 | 92 | 59 |
| Hay | 6.32 | 7.82 | 13.70 | 11.60 | 81 | 46 | 54 |
| Milk | 1.51 | 1.51 | 1.50 | 2.13 | 100 | 101 | 71 |

*Except for milk, these are the average prices for Minnesota as reported by the United States Department of Agriculture.

Indexes and Ratios of Minnesota Agriculture*

| | Aug. 1935 | July 1935 | Aug. 1934 | Av. Aug. 1924-26 |
|---|---|---|---|---|
| U.S. farm price index | 75.2 | 73.4 | 61.7 | 100.0 |
| Minnesota farm price index | 70.8 | 73.9 | 72.4 | 100.0 |
| U.S. purchasing power of farm products | 88.6 | 89.2 | 76.2 | 100.0 |
| Minnesota purchasing power of farm products | 83.4 | 89.8 | 89.5 | 100.0 |
| U.S. hog-corn ratio | 12.6 | 10.2 | 6.3 | 11.4 |
| Minnesota hog-corn ratio | 16.0 | 12.3 | 7.0 | 12.3 |
| Minnesota egg-grain ratio | 16.4 | 16.1 | 10.5 | 14.2 |
| Minnesota butterfat-farm-grain ratio | 30.9 | 23.4 | 19.1 | 32.4 |

*Explanations of the computation of these data are given in Farm Business Notes No. 144.