Price-Support and Adjustment Programs From 1933 Through 1978: A Short History

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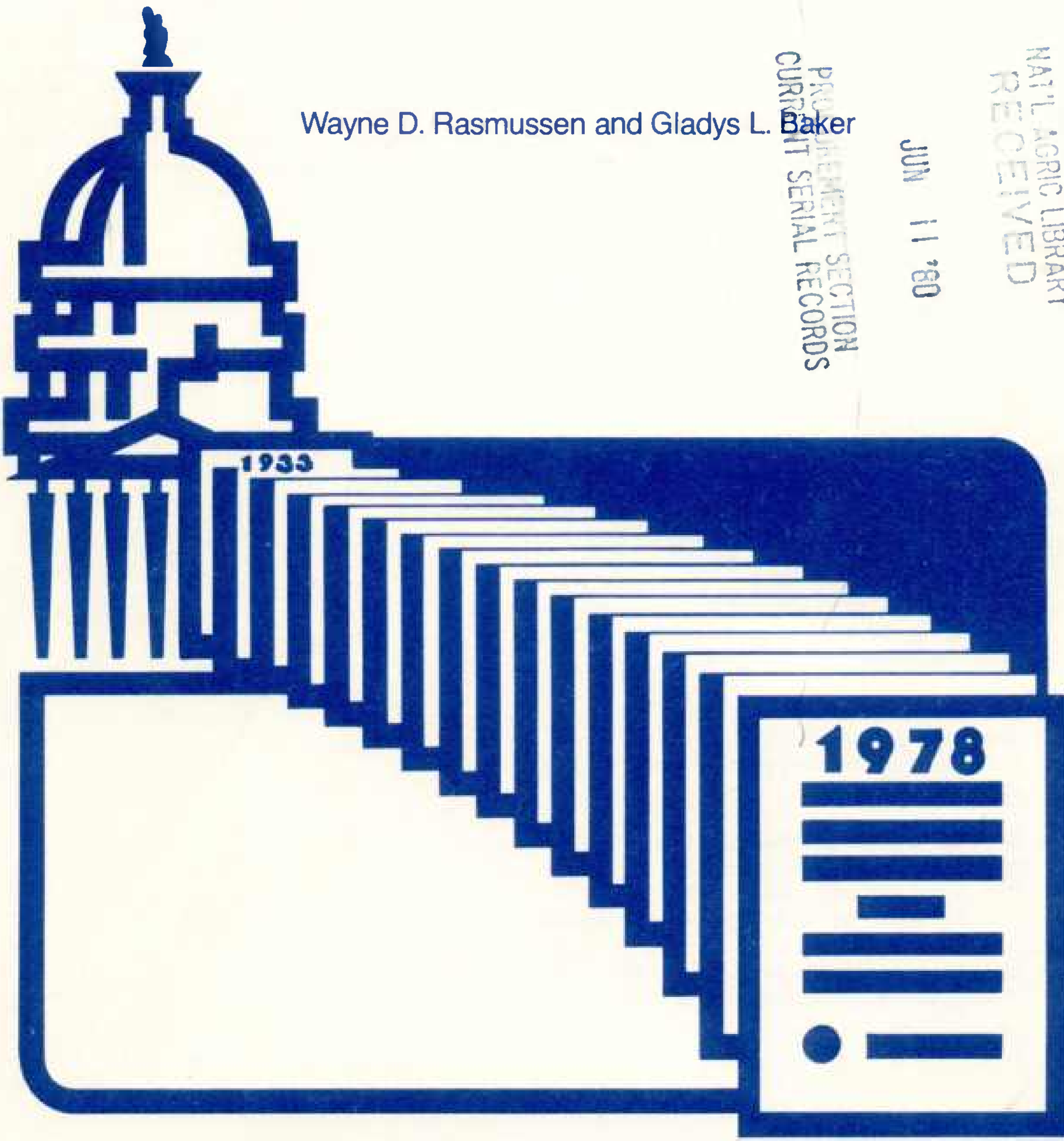

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PRICE-SUPPORT AND ADJUSTMENT PROGRAMS FROM 1933 THROUGH 1978: A SHORT HISTORY. By
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ABSTRACT

The U.S. Department of Agriculture's concern with price-support and adjustment legislation is carried out under a series of interrelated laws passed by Congress from 1933 to 1978. Beginning with the major proposals of the twenties for handling and marketing farm surpluses, this expanded history (necessitated by the passage of the Food and Agriculture Act of 1977 and the Emergency Assistance Act of 1978) records the establishment of the Federal Farm Board in 1929, continues with the Agricultural Adjustment Acts of 1933 and 1938, and traces price-support and adjustment legislation through 1978. These, and subsequent proposals and actions, are important because they are the foundation for implementing current and future farm legislation.

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

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INTRODUCTION

Many U.S. Department of Agriculture programs, particularly those concerned with farm price-support and adjustment legislation, result from a series of interrelated laws passed by Congress from 1933 to 1978. By providing a history of how Congressional legislation and programs have been modified for changing economic situations, this review serves as background for economists and others who analyze present farm programs.

ORIGIN OF ADJUSTMENT PROGRAMS

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

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

Farm journals and farm organizations had, since the twenties, 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 to be unsuccessful, farmers turned to the more formal organization of cooperative marketing for staple crops. After voluntary organizations of wheat and livestock producers collapsed, farmers began campaigns for Government assistance in solving the farm problem.

A number of programs were proposed, but the one which gained widespread support became known as the McNary-Haugen Plan after it was introduced into Congress in 1924 by Senator Charles L. McNary of Oregon and Representative Gilbert N. Haugen of Iowa. The plan was first promoted by George N. Peek and Hugh S. Johnson, managers of the Moline Plow Company. Their company had failed because of the farm depression. As Peek said, "You can't sell a plow to a busted customer." Both Peek and Johnson had worked in the War Industries Board during World War I and, based on this experience, felt Government action could provide economic stability. At the convention of the American Farm Bureau Federation in late 1921, Peek and Johnson presented a plan for selling farm products for domestic consumption at a fair exchange value and surplus products abroad at a world price. With modifications, the McNary-Haugen bill was before Congress from 1924 until May 23, 1928, when it was vetoed for the second time by President Coolidge.

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

Even though the plan was defeated, it had served as a rallying point and pressure for farm relief continued until the Government assumed a responsibility for farm prices.

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

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

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

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

By June 30, 1932, the Board's efforts to stem the disastrous decline in farm prices had failed, mainly because of the worldwide nature of the depression and the Board's inability to control production. In a special report to Congress in

December 1932, Board members recommended legislation which would "provide an effective system for regulating acreage or quantities sold, or both."

The groundwork for production control had been laid by the development of the voluntary domestic allotment plan. In fact, an economist of the Federal Farm Board had been working with M. L. Wilson of Montana State College, one of the developers and promoters of the plan and later Under Secretary of Agriculture, on the plan's final stages.

As first proposed in 1926 and 1927, the "limited debenture" plan was a way to make the tariff effective in the United States without causing increases in production or without affecting world prices. The plan proposed making allotments to each producer equivalent to his proportion of the crop sold for domestic use. The producer was to receive, in the form of debentures, the amount of the tariff less his share of necessary expenses. Harry N. Owen first presented the plan in 1926 in his journal, Farm, Stock, and Home. He drew upon ideas supplied by W. J. Spillman of the U.S. Department of Agriculture who developed the plan further in a book, Balancing the Farm Output, published in January 1927.

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

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

AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act, approved on May 12, 1933, aimed to restore farm purchasing power of agricultural commodities to the 1909-14 level. This goal became known as parity, a term first used in the Agricultural Adjustment Act of 1938. Parity seeks an equality of exchange relationship between agriculture and industry or between persons living on farms and persons not on farms.

Calculating parity prices may be illustrated by wheat, using the 1909-14 indexes prescribed by law from 1933 to 1948 (after 1948, the indexes were based on 1910-14). First, determine a base price. The 1909-14 average farm price of wheat was 88.4 cents per bushel. Next, calculate an index of prices paid for goods and services used in production and in living in relation to the base period. More than 80 items were used for family living and almost 90 were used for farm production in calculating indexes when the 1933 legislation was passed. Estimates had to be made of the quantities used. These were combined into an index. For June 15, 1942, for example, this gave an overall index of 152 which meant that farm commodity prices would have needed to be 152 percent of the prices prevailing in 1909-14 to have the same per unit purchasing power they had in 1909-14. Finally, adjust the base period prices by the index of prices paid. The base period prices were multiplied by 1.52 times 88.4 cents, or 134.4 cents a bushel. The actual market price was 95.7 cents per bushel on the date cited.

The 1909-14 period was the base because it was considered one of relatively normal relationships with prices not changing very rapidly. In 1933, the Secretary's economic advisers stated the reason for selection of the 1909-14 base period: it "represented one of considerable agricultural and industrial stability...with equilibrium between the purchasing power of city and country." They stated further that the act "bases the parity prices upon the most recent period when economic conditions, as a whole, were in a state of dynamic equilibrium."

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

Simultaneously, Congress declared its intent to protect the consumers' interest by readjusting farm production to a level that would not increase the percentage of consumers' retail expenditures above the percentage returned to 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. On April 7, 1934, the Jones-Connally Act expanded this list to rye, flax, barley, grain sorghums, peanuts, and cattle. Cattle producers opposed inclusion of cattle among the list of basic commodities in the original act; their efforts were concentrated on working out a marketing agreement with meat packers, but the agreement was never completed. In 1934, with a record supply of breeding stock, cattlemen gave qualified support to including beef and dairy cattle among the basic commodities but they opposed use of a processing tax. As a result, the Jones-Connally Act of April 7, 1934, included cattle.

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

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

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

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

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

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

In 1933, the situation confronting cotton farmers demanded immediate and drastic action. The price of cotton had fallen from 29 cents a pound in 1923 to 6½ cents in 1932. Increased cotton acreage and favorable weather threatened to drive prices even lower and to increase a carryover which had already reached three times normal size. A cotton plow-up campaign was announced June 19, 1933, with the objective of eliminating, during the first year, 10 million acres or one-fourth of the growing crop. This objective was reached.

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

However, more direct and drastic action on cotton was demanded and secured before the first crop under the acreage reduction program could be marketed. A sharp decline in cotton prices, following a short speculative boom and the serious financial condition of farmers, led to demands during September 1933 that the currency be inflated and that the minimum price of cotton be fixed at 15 cents a pound. The Administration responded with a nonrecourse loan of 10 cents a pound on the 1933 cotton crop. The loan rate, raised to 12 cents for 1934-35, was dropped to 10 cents for 1935-36, supplemented by price adjustment payments.

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

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

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

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

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

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

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

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

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

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

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

Tobacco growers, who had signed Government contracts, like cotton program participants, wanted to insure that noncooperators could not profit from higher prices on unrestricted production. These growers secured enactment of the Kerr-Smith Tobacco Control Act of June 28, 1934, which provided a mandatory tax upon the sale of all tobacco harvested in the crop year 1934-35 except Maryland, Virginia sun-cured, and cigar leaf tobaccos. Tax-payment warrants were to be issued by the Secretary of Agriculture to contract signers. Upon a favorable vote of producers who controlled three-fourths of the land, the program could be applied to any type of tobacco for the 1935-36 marketing year. Growers of the types of tobacco to which the tax was applied during the 1934-35 crop year voted overwhelmingly for its continuance and, in February 1935, growers of cigar-filler and binder tobacco voted to have the tax applied to their crops.

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

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

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

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

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

By October 1933, Corn Belt farmers were demanding an emergency program for corn to raise prices before the longer time corn-hog adjustment program could become effective. Sentiment for price fixing was strong in the corn area where the National Farm Holiday was threatening a national strike. The National Corn-Hog Producers' Committee of Twenty-five had recommended negotiation of a marketing agreement to insure parity prices for hogs. Farm pressure for price fixing brought about a demand for Government pegging of prices at parity levels by 10 Midwestern Governors meeting in Des Moines on October 31, 1933. Corn Belt farmers pressed the administration to provide as favorable treatment for corn as had been provided for cotton. The Illinois Agricultural Association argued that corn loans were necessary to prevent the greater part of the benefits of the acreage reduction program from being realized by the grain trade.

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

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

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

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

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

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

Surplus disposal programs of the U.S. 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. Pork products were distributed to unemployed families during 1934 and early 1935 as was meat from other animals purchased with special drought funds. Other food products purchased for surplus removal and distribution in relief channels included butter, cheese, and flour.

The amendments of August 24, 1935, to the Agricultural Adjustment Act had a number of important provisions which remained in effect after the production control provisions of the Act were invalidated. One of the most important of these, known as Section 32, set aside 30 percent of the customs receipts for the encouragement of the exportation and domestic consumption of agricultural commodities by: (1) paying benefits in connection with exports or the production of agricultural commodities required for domestic consumption; (2) encouraging the use of surplus commodities by diverting them to industrial or other use; and (3) financing adjustments in the production of agricultural commodities.

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

The Hoosac-Mills decision of the Supreme Court invalidated the production control provisions of the Agricultural Adjustment Act of May 12, 1933. On January 6, 1936, programs which were carried out through contracts between the Federal Government and individual farmers, and financed by processing taxes, were abruptly halted.

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

THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT OF 1936

The Supreme Court's ruling against the production control provisions of the Agricultural Adjustment Act, probable overplanting, and depressed prices presented 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, approved on February 29, 1936, combined the objective of promoting soil conservation and profitable use of agricultural resources with that of reestablishing and maintaining farm income at fair levels. For the first time, the goal of income parity, as distinguished from price parity, was introduced into legislation. It was defined as the ratio of purchasing power of the net income per person on farms to that of the income per person not on farms which prevailed during the August 1909-July 1914 period.

President Roosevelt stated a third major objective: "the protection of consumers by assuring adequate supplies of food and fiber." Under a program launched on March 20, 1936, farmers were offered soil conserving payments for shifting acreage from soil depleting crops to soil conserving crops. 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.

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

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

THE SUGAR ACT OF 1937

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

The Sugar Act of 1937 was in many respects similar to the Jones-Costigan Act. An excise tax payable into the general fund of the Treasury, was substituted for the processing tax. Benefit payments, most as conditional payments since growers had to observe certain specified conditions, were to be made from funds appropriated by Congress. The conditions required to qualify a producer for payments involved the elimination of child labor except for the children of the producer's family; the payment of fair and reasonable wages; the preservation and maintenance of the soil fertility; not marketing more than the farm's proportionate share of the quota of the area in which it was located; and if the producer were also a processor, the payment of fair and reasonable prices for the sugarcane or sugar beets purchased from other producers. In addition, there were provisions permitting abandonment and deficiency payments in the event of certain natural calamities.

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

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

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 different for two general types of commodities (milk and other commodities) because of the great difference in industry marketing problems.

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

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

THE AGRICULTURAL ADJUSTMENT ACT OF 1938

In the summer of 1936, 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 16, 1938, combined the conservation program of the 1936 legislation with new features designed to meet drought emergencies as well as price and income crises resulting from surplus production. This law used the term "parity" for the first time in legislation, stating that it was the policy of Congress to assist farmers to obtain, insofar as practicable, parity prices and parity income for the producers of cotton, wheat, corn, tobacco, and rice.

The Soil Conservation and Domestic Allotment Act of 1936 was reenacted with some modifications as a major part of the new legislation. Modifications included provisions for acreage allotments for corn, cotton, rice, tobacco, and wheat; specific direction with respect to the establishment and use of State and local committees; provisions to safeguard tenants share of payments; specific provisions on the allocation of payments; provision for increasing the size of payments on small farming operations; limitation of $10,000 on the size of payments; and a special amendment for the protection of dairy, livestock, and poultry producers from undue competition resulting from the conservation payment program. In this act (Title III), Congress 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 legislation's new features included mandatory nonrecourse loans for cooperating producers of corn, wheat, and cotton under certain supply and price conditions (if marketing quotas had not been rejected) and loans at the option of the Secretary of Agriculture for producers of other commodities; marketing quotas to be proclaimed for corn, cotton, rice, tobacco, and wheat when supplies reached certain levels; referendums to determine whether the marketing quotas proclaimed by the Secretary should be put into effect; crop insurance for wheat; and parity payments, if funds were appropriated for producers of corn, cotton, rice, tobacco, and wheat in amounts which would provide a return as nearly equal to parity as the available funds would permit. These payments were to supplement and not replace other payments.

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

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

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

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

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

May 15, 1938. Supplies of corn were under the level which required proclamation of marketing quotas.

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

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

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

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

Without marketing quotas, flue-cured tobacco growers produced a 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 CCC, through a purchase and loan agreement, restored buying power to the market.

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

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

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

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

Beginning in 1933, the Department had been developing new programs to dispose of surplus food and simultaneously raise the nutritional level of low-income consumers. The direct distribution program, which began with the distribution of surplus pork in 1933, was supplemented by a nationwide school lunch program, a low-cost milk program, and a food stamp program. The number of schools 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 which had resulted from CCC takeover of defaulted price support loans, and 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 such legislative barriers as the minimum national allotment of 55 million acres for wheat, the restrictions on sale of CCC stocks, 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.

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

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

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

The rate of support was raised to not less than 90 percent of parity for corn, cotton, peanuts, rice, tobacco, and wheat, and for the Steagall nonbasic commodities, by an amendment to the Emergency Price Control Act of 1942, approved on October 2, 1942. However, the rate of 85 percent of parity could be used for any commodity if the President should determine the lower rate was required to prevent an increase in the cost of feed for livestock and poultry and in the interest of national defense. This determination was made for wheat, corn, and rice. Since the price of rice was above the support level, loans were not made.

The following nonbasic commodities were entitled to 90 percent of parity: manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, Irish potatoes, and sweet potatoes. Under the provisions of this legislation, the supports for both basic and nonbasic commodities continued for 2 years after the declaration of the end of hostilities.

The price support rate for cotton was raised to 92½ percent of parity and for corn, rice, and wheat to 90 percent of parity by the Stabilization Extension Act of 1944. Since the price of rice was far above its support level, loan rates were not announced. The Surplus Property Act of October 3, 1944, raised the price support rate for cotton to 95 percent of parity with respect to crops harvested after December 31, 1943, and those planted in 1944. CCC purchased cotton at the rate of 100 percent of parity during 1944 and 1945.

In addition to price support incentives for the production of crops needed for lend-lease and for military use, 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 the special war crop goals. Marketing quotas were retained on wheat until February 1943. With the discontinuance of marketing quotas, farmers in spring wheat areas were urged to increase wheat plantings whenever the increase would not interfere with more vital war crops. Quotas were retained on cotton until July 10, 1943, and on fire-cured and dark air-cured tobacco until August 14, 1943. Quotas for peanuts were suspended for the 1943 crop, and none were proclaimed until 1948. With controls removed, the adjustment machinery was used to secure increased production for war requirements and for postwar needs of people abroad.

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

POSTWAR PRICE SUPPORTS

A law passed on 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.

Two opposing viewpoints developed. One was to extend the wartime system of high level price support for a year; the other was to return to the prewar system of flexible price support in accordance with existing supplies. The Agricultural Act of 1948, as finally passed, was a compromise between the viewpoints expressed by leaders of the two groups, Representative Clifford R. Hope of Kansas and Senator George D. Aiken of Vermont. Title I continued mandatory price support at 90 percent of parity for the 1949 crops of wheat, corn, rice, peanuts used as nuts, cotton, and tobacco marketed before June 30, 1950, if producers had not disapproved marketing quotas. Similar support was also provided for hogs, chickens, eggs, and milk through December 31, 1949. Potatoes harvested before January 1, 1949, were to be supported at 90 percent of parity, while the following year the rate was to be not less than 60 percent of parity nor more than the 1948 level. Some Steagall Amendment commodities which had been guaranteed 90 percent of parity for 2 years after the war, including beans, dry peas, turkeys, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, and sweet potatoes, were to be supported under the Agricultural Act of 1948 at not less than 60 percent of parity. Wool marketed before June 30, 1950, was to be supported at the 1946 level, an average of 42.3 cents per pound.

If funds were available, price support was authorized for other commodities through December 31, 1949, at a fair relationship with other commodities receiving support.

The parity formula was revised to make parity prices dependent upon the relationships of farm and nonfarm prices during the most recent 10-year period. This revision was made to adjust for changes in productivity and other factors which had occurred since the base period 1909-14. The act authorized the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for price support.

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

In January 1949, Congress began a review of the Agricultural Act of 1948. Within the Department, a seminar was organized early in 1949 to study alternative price support programs. As a result of this review and other studies, a set of proposals evolved which became known as the Brannan Plan, named after Secretary of Agriculture Charles F. Brannan.

The plan, presented to a joint session, of the House and Senate Committees on Agriculture on April 7, 1949, included: (1) the use of an income standard, based on a 10-year moving average beginning with the years 1938-47, as a method of computing price-support levels for farm products; (2) support for major products, called Group I commodities, at full income standard levels; (3) support of the incomes of growers of perishable commodities by direct payments by the Government of the difference between the prices received in the market and the support price established; (4) restriction of supports to large-scale farmers to what an efficient family farm unit could produce; and (5) requirement of compliance with approved conservation practices and production or marketing controls in order to receive benefits. The Brannan plan, though widely debated, was not adopted by Congress. Instead, the Agricultural Act of 1949 was approved on October 31, 1949.

The 1949 Act set support prices for basic commodities at 90 percent of parity for 1950 and between 80 and 90 percent for 1951 if producers had not disapproved marketing quotas or (except for tobacco) if acreage allotments or marketing quotas were in effect. For the 1952 and succeeding crop years, cooperating producers of basic commodities (if they had not disapproved marketing quotas) were to receive support prices at levels varying from 75 to 90 percent of parity, depending upon the supply.

Price support for wool, mohair, tung nuts, honey, and Irish potatoes was mandatory at levels ranging from 60 to 90 percent of parity. To assure an adequate supply, whole milk and butterfat and their products were to be supported at the level of between 75 and 90 percent of parity. Price support was to be carried out by loans on, or purchases of, milk and products of milk. Wool was to be supported at a level which would encourage an annual production of 360 million pounds of shorn wool, but the support level could not be higher than 90 percent or lower than 60 percent of parity.

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

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

The Agricultural Act of 1949 amended the modernized parity formula of the Agricultural Act of 1948 to add wages paid hired farm labor to the parity index and to include wartime payments made to producers in the prices of commodities and in index of prices received. For basic commodities, the effective parity price through 1954 was to be the old version or the modernized version, 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 quota provisions, on the sale of commodities held by the CCC. 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 sweet potatoes were discontinued in 1950.

In the interim, the Senate approved on June 13, 1949, an International Wheat Agreement. The agreement, between the governments of 4 major wheat exporting countries (Australia, Canada, France, and the United States) and 37 wheat importing countries, involved annual trade in 456 million bushels of wheat over a 4-year period beginning August 1, 1949. Prices were established within a fixed range. After new importing countries joined the agreement, the wheat quota was increased. Agreements were in operation continuously until a new one went into effect on August 1, 1959, for a 3-year period. In the fall of 1960, 34 importing and 9 exporting countries were participating. A new agreement became effective on August 1, 1962, also for a 3-year period. Beginning in 1967, an International Grains Arrangement replaced the International Wheat Agreement. In 1978, a new agreement was under consideration.

THE KOREAN WAR

The flexible price support provisions of the Agricultural Act of 1949 were used for only one basic commodity during 1951. Secretary 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, led 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. The legislation covered the 1953 and 1954 crops of basic commodities if the producers had not disapproved marketing quotas and also extended, through 1955, the requirement that the effective parity price for the basic commodities should be the parity price computed under the new or the old formula, whichever was higher. Extra-long staple cotton was made a basic commodity for price support purposes.

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 wheat and cotton crops 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. In accordance with the legislation of July 17, 1952, supports were continued at 90 percent of parity for basic crops during 1953 and 1954.

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

The Agricultural Act of 1954, approved August 28, 1954, established basic commodity price supports 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.

There had been continuing discussion regarding the development of a new International Sugar Agreement. A new agreement was approved on October 1, 1953, and became effective in 1954. The general form of the 1953 agreement was similar to that of the 1937 agreement, which it superseded. The quota and price provisions were revised by the adoption of a protocol in 1956 for the years 1957 and 1958. A new agreement was adopted in 1958 which adjusted upward the total basic export quotas. As a result of declining sugar prices in 1959, the International Sugar Council reduced permitted marketings to 80 percent of the basic quotas. An adjustment in 1960 permitted marketings at 85 percent of basic quotas.

U.S. imports from Cuba were terminated in 1960. The ISA was revised and reactivated on January 1, 1969, for a 5-year period.

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 thirties, 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 program ended in 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 rice supports, 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 1959 acreage allotments and subsequent crops and receive supports at 90 percent of the average farm price for the preceding 3 years, but at not less than 65 percent of parity, or to keep acreage allotments with supports between 75 and 90 percent of parity. The first proposal was adopted for an indefinite period in a referendum held November 25, 1958.

FARM PROGRAMS IN THE SIXTIES

President John F. Kennedy's first executive order directed Secretary of Agriculture Orville L. Freeman to expand immediately the program of food distribution to needy persons. A pilot food stamp plan was also started. In addition, steps were taken to expand the school lunch program and to make better use abroad of American agricultural abundance.

In another race 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 corn crop should be 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, 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 program 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 supported at a figure based upon its value as feed. The second system imposed no penalties for overplanting, but provided that wheat grown by planters complying with allotments would be supported at only 50 percent of parity.

The first alternative was defeated in a referendum held on May 21, 1963, but a law passed early in 1964 prevented the second alternative from becoming effective.

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

The most important farm legislation of 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 at 65 to 90 percent of parity. The actual figure in 1964 was $2 a bushel, about 79 percent of parity. Price supports, including loans and certificates, on the production equivalent to a portion of estimated exports (in 1964, also 45 percent of the normal production of the farmer's allotment) would be 0 to 90 percent of parity. The export support price in 1964 was $1.55 a bushel, about 61 percent of parity. The remaining wheat could be supported from 0 to 90 percent of parity; in 1964 the support price was $1.30, about 52 percent of parity. Generally, price supports through loans and purchases on wheat reached an around the world market price of $1.30 per bushel in 1964, while farmers participating in the program received negotiable certificates which the CCC agreed to purchase at face value to make up the differences in price for their share of domestic consumption and export wheat. The average national support through loans and purchases on wheat in 1965 was $1.25 per bushel.

In 1964, a dairy indemnity program was authorized. Under this program, the Department made payments to dairy farmers who were directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal Government.

A law of April 16, 1965, provided for acreage-poundage farm marketing quotas on flue-cured tobacco. When such quotas were in effect, price support was to be available on, and not to exceed, 110 percent of the farm quota. In the case of burley, tobacco price support was to be available on, and not to exceed, 120 percent of the farm quota. It should be noted that 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. (The change in administrations in 1969 required time for a compromise agreement to be reached between a Republican administration and a Democratic Congress. Until agreement could be reached on a compromise it was considered necessary to continue the programs in effect.)

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. As amended, the Wool Act of 1954 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. Cotton farmer incomes 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 Food and Agriculture Act of 1965 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, natural 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.

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 CCC.

THE AGRICULTURAL ACT OF 1970

With the 1969 administration change both the Department and 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.

The Agricultural Act of 1970 (opposed by all major farm organizations for widely differing reasons), approved November 30, 1970, reflected a number of compromises between the position of the administration and that of the Senate Committee on Agriculture and Forestry. To qualify for price support, the farmer was required to keep a specific percentage of his cropland out of production, with acreage set aside for conservation practices. He could then grow whatever he wished on his remaining land, except for the crops that remained under control (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. Likewise, farmers who set aside land for conservation use equal to a specified percentage of the domestic wheat allotment, in addition to an acreage equal to the farm conserving base, would become eligible for their share of domestic marketing certificates covering a total of not less that 535 million bushels of wheat each year. The value of the certificates would be the difference between the wheat parity price and the average price received by farmers during the first 5 months of the marketing year.

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.

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, the CCC would continue to buy butter under the support program, and the Secretary could use his discretion in setting the buying price for butter at any level which, in combination with purchases of 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 making available to military agencies dairy products held by the CCC.

The 1970 Act also authorized payments to beekeepers who, through no fault of their own, had suffered losses of honey bees as a result of 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 were 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 were in effect. Provisions of Public Law 480, the Food for Peace program, were extended through calendar year 1973.

Authorization was continued for cropland conversion and Greenspan long-term land retirement programs at an authorized appropriation level of $10 million annually for each program, although the programs were not implemented. The Greenspan type of program was authorized to assist State and local governments in acquiring cropland for permanent retirement to noncrop uses including preservation of open spaces, wildlife or recreational facilities, and pollution abatement.

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

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 U.S. farm products was at a high level due to world crop shortages and worldwide inflation. World demand, combined with export subsidies and the devaluation of the dollar, had liquidated the stocks which had been established under previous price support programs.

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

A new concept of target prices was introduced which was to be used only when market prices fell below target levels. Payments would be made to farmers at rates equal to the amount by which market prices fell below target prices. However, payment rates could not exceed the difference between target prices and price support loans. Target prices for 1974 and 1975 were 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). 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 of payments to producers when prices did not reach target levels, the Act provided for producer loans at levels below market prices to put greater reliance on the market place. For loan rates, the parity concept, as well as a price level per bushel, was used to determine the limit on the Secretary's discretion. 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. For corn, the loan was to be at a level not less than $1.10 per bushel nor more than 90 percent of parity, determined by the Secretary to encourage the export of feed grain and not result in excessive U.S. grain stocks. The loan and purchase rates for other feed grains were to be established in relation to the feeding value for corn. However, the Secretary suspended--for the duration of the act--the farm-conserving base requirement, and designated barley a feed grain for program purposes.

The parity concept was not used for establishing loan rate levels for upland cotton. Instead, the levels reflected 90 percent of the average price of American cotton in world markets for the preceding 3-year period.

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 made to establish disaster reserve inventories that were not to exceed 75 million bushels of wheat, feed grains, and soybeans.

Milk support price was to be at a level of between 75 and 90 percent of parity (except for the period ending March 31, 1975, during which the minimum level was to be at 80 percent) to be determined by the Secretary as necessary to assure an adequate supply of pure and wholesome milk to meet current need, to reflect changes in the cost of production, and to assure a level of farm income adequate to maintain productive capacity. 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 cropland set asides was provided as a condition of eligibility for loans, purchases, and payments for wheat, feed grains, and upland cotton as specified percentages of crop allotments to be devoted to approved conservation uses, if a set-aside program were announced. Cost sharing for conservation usage was authorized.

Although the 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.

Greatly increased foreign demand has permitted change in emphasis in the Agriculture and Consumer Protection Act. However, much of the authority of the Agricultural Adjustment Act of 1938, as amended, to limit total acreage planted to major crops (based on producer referendum for establishing quotas) and to support prices, was still available as standby authority. Prices through 1975 and 1976 remained above target levels. On August 21, 1975, the Secretary of Agriculture announced there would be no acreage set aside for the 1976 feed grain, wheat, and upland cotton programs.

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

FOOD AND AGRICULTURE ACT OF 1977

Since both the Agriculture and Consumer Protection Act of 1973 and the Rice Production Act of 1975 were scheduled to expire at the end of 1977, Congress and the new administration had to move to replace them. The Senate Agriculture Committee held hearings in 14 field locations and 17 sessions in the District of Columbia. The Committee found that producers were concerned over rising production costs and felt a need for more adequate levels of price support. Since market prices had been high, target prices and loan levels had been of little use to farmers. Some of those who testified wanted to place major reliance on crop loans to insure adequate income. "Producers," Senator Herman Talmadge of Georgia stated, "were concerned about oversupply and depressed prices."

The Food and Agriculture Act of 1977 represented a compromise between the position of the administration, which recommended lower target prices and loans because of Government costs, and the Senate Committee, which preferred to provide more price and income protection. There was agreement, however, on the continued use of target prices and the use of loans at lower levels than target prices to allow crops to move freely in international trade. There was also agreement on the desirability of allowing farmers freedom to produce.

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

The 1978 target price for corn was set at $2.10 per bushel with the other grains set according to the law, at a "fair and reasonable level" in relation to corn's target price. Target prices for oats and barley were optional but were mandated for corn and sorghum. Wheat and feed grain target prices for 1979-81 crops were to be adjusted to reflect any change in the moving 2-year average of variable, machinery ownership, and general farm overhead costs, which included in addition to cost of production, expenditures for interest, taxes, insurance and replacement for machinery, and such costs as recordkeeping and utilities. Only for 1978 was a return to land and management provided in establishing the target price for wheat and corn. The nonrecourse loan establishes a price floor as well as provides a source of cerdit for farmers. For the 1977 crop of wheat, minimum loan levels were left unchanged at $2.25 a bushel, the same as previously announced. The minimum loan rate for 1978-81 was set by the Act at $2.35 a bushel. A special provision in the law allowed a lower loan level under certain circumstances, such as a 10-percent drop if the market price did not exceed the loan level by at least 5 percent in the previous year. However, the loan level could not fall below $2.00 regardless of special circumstances. The maximum loan level could not go above 100 percent of parity.

The minimum loan level for corn was to remain at $2.00, unless the Secretary dropped the price support level. A maximum drop of 10 percent in 1 year could be made if the national average price were not more than 105 percent of the prior year's loan. However, the loan level could go below $1.75. No maximum loan level was set for feed grains.

The loan levels for the grains could be raised at the Secretary's discretion. The deficiency payment rate for corn was to be computed by one of two ways: either the difference between the target price and the national weighted average market price received during the first 5 months of the marketing year, or the difference between the target price and the loan level. The Secretary was directed to use the smaller of the two, but payments would be made only if the market price were below the target price for the first 5 months of the marketing year. If the Department should set the loan level below the normal minimum of $2.00 for corn or $2.35 for wheat, compensation would be made by an increase in the deficiency payments.

Deficiency payments were to be made on crops when the target price was higher than either the loan rate or the market price. Deficiency payments had been introduced in the 1973 legislation. Allotments established on a historical base were used under 1973 and prior legislation. The 1977 Act, beginning with the 1978 program, provided for the substitution of current planted acreage for allotments. National program acreages for wheat, feed grains, and upland cotton were to be determined by the Secretary to represent estimated acreage needed to meet domestic and export needs plus any desired adjustments in stocks. A farmer's acreage eligible for deficiency payments was to be determined by multiplying his acreage planted for harvest by an allocation factor.

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

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

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

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

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

The new legislation made substantial changes in the peanut program. The Secretary was required to announce a national acreage allotment no later than December for the following year. A minimum of 1,614,000 acres was set by the law. Poundage quotas were to be continued but they could not be set below a specified level. For 1978, this was 1,680,000 tons.

The Secretary was given discretion to increase poundage quotas above the minimum if he determined that the quota for any one year was too low to meet domestic edible use and carryover requirements. The quota for an individual farm was to be set through a formula. Base production poundage would be used to determine the farm poundage quota. Peanuts grown within allotments would be eligible for a new two tier price support program. For peanuts produced within the poundage quota, the minimum support rate would be $420 a ton for each of the 1978-81 crops.

The second tier support was for peanuts produced in excess of the amount of quota peanuts that could be sold, but not in excess of the production limits on a farm's allotment. For these additional peanuts, the Department could use loans, purchases, or other operations to provide price support. Prices for the "additional" peanuts were to be announced by February 15 of each year.

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

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

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

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

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

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

On August 29, 1977, even before the 1978 crop year had begun, the administration expanded its commitment to a food and feed grain reserve of between 30 to 35 million metric tons. It was anticipated that the farmer-owned grain reserve would have 330 million bushels of wheat by June 1,1978, and a 550-million-bushel feed grain reserve. In addition, a Government-owned reserve was to serve as the basis for an international emergency food reserve to be acquired through loan and purchases by the CCC. Farmers were not to make the wheat available on the market until the farm price exceeded $3.29 a bushel. Corn was to be withheld from the market until the farm price exceeded $2.50 a bushel.

Commodity loans to farmers were to provide the basis for the reserve. To encourage participation, the Government was to make storage payments of 25 cents per bushel for corn and feed grains other than oats, where the payment was to be 19 cents per bushel.

EMERGENCY ASSISTANCE ACT OF 1978

Legislation providing emergency assistance to wheat, feed grains, and upland cotton producers was approved on May 15, 1978. It gave the Secretary of Agriculture discretionary authority to increase the target prices for wheat, feed grains, and upland cotton for the 1978 through 1981 crops whenever a set-aside was in effect for one or more of these crops. If the target price were increased for a commodity for which a set-aside were in effect, the Secretary could increase the target price for any other commodity in such amount as he determined necessary for the effective operation of the program. Rice was added to the commodities covered on August 4, 1978, by the Agricultural Credit Act of 1978.

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

As a result of the enactment of the Emergency Assistance Act, the Department announced on May 16,1978, that the target price for wheat would be increased from $3.05 to $3.40 per bushel with no qualification with respect to the size of the crop. The minimum loan rate for upland cotton was increased from 44 cents to 48 cents a pound as required by the legislation. The signup period for wheat, feed grain, and upland cotton programs was extended until May 31, 1978, 2 weeks from the signing of 1978 Act into law. The Act established a raisin marketing order program to authorize raisin production, and market research and development projects, including paid advertising for raisins.

CONCLUSION

Legislation in the 1973 and 1977 Acts was in most respects a continuation of programs and goals which had been in effect for 45 years. These included adjusting production to demand and providing farmers with limited price supports for their major products. The new legislation also provided farmers greater freedom in deciding what they grew and related price supports more closely to recent prices and to cost of production rather than to the parity concept.

The nature of the programs at any particular time depended upon national and international economic conditions. The changes made by the 1973 and 1977 legislation became possible because of world demand for American farm products and general economic prosperity at home. If this situation should change then legislation may change, going to stronger compulsory marketing controls or to greater production freedom.

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