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**Conference Report to Accompany
Agricultural Adjustment Act of 1933
H.R. Rep. No. 73-100 (1933)**

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RELIEVE THE EXISTING NATIONAL ECONOMIC EMERGENCY BY INCREASING AGRICULTURAL PURCHASING POWER.

MAY 5, 1933.—Ordered to be printed

Mr. JONES, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 3835]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate (numbers 1 to 84, inclusive) to the bill (H.R. 3835), to relieve the existing national economic emergency by increasing agricultural purchasing power, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 16, 27, 32, 42, 46, and 63.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 4, 5, 6, 7, 8, 9, 10, 12, 13, 15, 18, 19, 20, 21, 22, 23, 26, 28, 29, 30, 31, 33, 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45, 47, 48, 50, 51, 52, 53, 55, 56, 57, 58, 59, 60, 61, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 75, 76, 77, 78, 79, 80, 81, and 82, and agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert *base period*. *The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August 1909–July 1914. In the case of tobacco, the base period shall be the postwar period, August 1919–July 1929.*

And the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows:

On page 5, line 16, of the Senate engrossed amendments, strike out "Act" and insert *title*; and the Senate agree to the same.

Amendment numbered 14:

That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert *Under regulations of the Secretary of Agriculture requiring adequate facilities for the storage of any non-perishable agricultural commodity on the farm, inspection and measurement of any such commodity so stored, and the locking and sealing thereof, and such other regulations as may be prescribed by the Secretary of Agriculture for the protection of such commodity and for the marketing thereof, a reasonable percentage of any benefit payment may be advanced on any such commodity so stored. In any such case, such deduction may be made from the amount of the benefit payment as the Secretary of Agriculture determines will reasonably compensate for the cost of inspection and sealing, but no deduction may be made for interest.*

And the Senate agree to the same.

Amendment numbered 17:

That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert *The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful: Provided, That no such agreement shall remain in force after the termination of this act.*

And the Senate agree to the same.

Amendment numbered 24:

That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(5) *No person engaged in the storage in a public warehouse of any basic agricultural commodity in the current of interstate or foreign commerce, shall deliver any such commodity upon which a warehouse receipt has been issued and is outstanding, without prior surrender and cancellation of such warehouse receipt. Any person violating any of the provisions of this subsection shall, upon conviction, be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both. The Secretary of Agriculture may revoke any license issued under subsection (3) of this section, if he finds, after due notice and opportunity for hearing, that the licensee has violated the provisions of this subsection.*

And the Senate agree to the same.

Amendment numbered 25:

That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with an amendment, as follows:

Beginning with line 3 on page 8 of the Senate engrossed amendments strike out through line 13 on page 9 and insert in lieu thereof the following:

Sec. 9. (a) To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as hereinafter provided. When the Secretary of Agriculture determines that rental or benefit payments are to be made with respect to any basic agricultural commodity, he shall proclaim such determination, and a processing tax shall be in effect with respect to such commodity from the beginning of the marketing year therefor next following the date of such proclamation. The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or imported, and shall be paid by the processor. The rate of tax shall conform to the requirements of subsection (b). Such rate shall be determined by the Secretary of Agriculture as of the date the tax first takes effect, and the rate so determined shall, at such intervals as the Secretary finds necessary to effectuate the declared policy, be adjusted by him to conform to such requirements. The processing tax shall terminate at the end of the marketing year current at the time the Secretary proclaims that rental or benefit payments are to be discontinued with respect to such commodity. The marketing year for each commodity shall be ascertained and prescribed by regulations of the Secretary of Agriculture: Provided, That upon any article upon which a manufacturers' sales tax is levied under the authority of the Revenue Act of 1932 and which manufacturers' sales tax is computed on the basis of weight, such manufacturers' sales tax shall be computed on the basis of the weight of said finished article less the weight of the processed cotton contained therein on which a processing tax has been paid.

And the Senate agree to the same.

Amendment numbered 49:

That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with amendments, as follows:

On page 15, line 3, of the Senate engrossed amendments, strike out "sums" and insert *sum*; and in line 21, strike out "(d)" and insert (c); and the Senate agree to the same.

Amendment numbered 54:

That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(b) No tax shall be required to be paid on the processing of any commodity by or for the producer thereof for consumption by his own family, employees, or household; and the Secretary of Agriculture is authorized, by regulations, to exempt from the payment of the processing tax the processing of commodities by or for the producer thereof for sale by him where, in the judgment of the Secretary, the imposition of a processing tax with respect thereto is unnecessary to effectuate the declared policy.

And the Senate agree to the same.

Amendment numbered 73:

That the House recede from its disagreement to the amendment of the Senate numbered 73, and agree to the same with an amendment, as follows:

On page 18, line 20, of the Senate engrossed amendments, after "delivery", insert *on or*; and the Senate agree to the same.

Amendment numbered 84:

That the House recede from its disagreement to the amendment of the Senate numbered 84, and agree to the same with amendments, as follows:

On page 24, line 18, of the Senate engrossed amendments, before the word "value" insert *normal*.

On page 29, between lines 10 and 11 of the Senate engrossed amendments, insert the following new paragraph:

The rate of interest on such direct loans made at any time by any Federal land bank shall be one-half of 1 per centum per annum in excess of the rate of interest charged to borrowers on mortgage loans made at such time by the bank through national farm-loan associations.

On page 29, line 22, of the Senate engrossed amendments, strike out "shall" and insert *may*.

On page 34, line 6, of the Senate engrossed amendments, before "value" insert *normal*.

On page 35 of the Senate engrossed amendments, beginning with line 13, strike out all through line 9, page 36.

On page 36 of the Senate engrossed amendments, strike out lines 12 to 19, both inclusive, and insert in lieu thereof the following:

SEC. 31. (a) Out of the funds made available to him under section 30, the Farm Loan Commissioner is authorized to make loans, in an aggregate amount not exceeding \$25,000,000, at a rate of interest.

On page 39, line 6, of the Senate engrossed amendments, before "value" insert *normal*.

On page 39, line 16, of the Senate engrossed amendments, after "years" insert *or, in the case of a first or second mortgage secured wholly by real property and made for the purpose of reducing and refinancing an existing mortgage within an agreed period no greater than that for which loans may be made under the Federal Farm Loan Act, as amended,*

On page 39, line 19, of the Senate engrossed amendments, before the period insert *if the borrower shall not be in default with respect to any other condition or covenant of his mortgage.*

On page 41, line 7, of the Senate engrossed amendments, strike out "\$8,500" and insert *\$10,000*.

On page 42, line 8, of the Senate engrossed amendments, strike out "(1)".

On page 42 of the Senate engrossed amendments, beginning with the word "including" in line 10, strike out through the word "project", in line 24, and insert in lieu thereof the following: *and to political subdivisions of States, which, prior to the date of enactment of this Act, have completed projects devoted chiefly to the improvement of lands for agricultural purposes.*

On page 45 of the Senate engrossed amendments, beginning with line 1, strike out all through the period in line 9, and insert *Sec. 37*.

On page 46, line 9, of the Senate engrossed amendments, strike out "\$325,000,000" and insert *\$300,000,000*.

On page 47, line 12, of the Senate engrossed amendments, strike out "\$8,500" and insert \$10,000.

On page 47 of the Senate engrossed amendments, beginning with line 13, strike out all through line 20, page 48.

On page 49, line 2, of the Senate engrossed amendments, strike out "shall" and insert *may*.

On page 46, lines 3, 12, and 24, of the Senate engrossed amendments, strike out "37", "38", and "39" and insert 38, 39, and 40, respectively.

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same.

The committee of conference have not agreed on amendment numbered 83.

MARVIN JONES,
JOHN D. CLARKE,
CLIFFORD R. HOPE,
WALL DOXEY,
H. P. FULMER,

Managers on the part of the House.

E. D. SMITH,
CHAS. L. McNARY,
DUNCAN U. FLETCHER,
ELMER THOMAS,
ROBERT F. WAGNER,
F. C. WALCOTT,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate (nos. 1 to 84, inclusive) to the bill (H.R. 3835) to relieve the existing national economic emergency by increasing agricultural purchasing power submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following amendments make clerical changes necessary by reason of the inclusion of new titles in the bill, and the House recedes: 1, 2, 4, 12, 23, 26, 29, 31, 33, 35, 37, 39, 40, 43, 47, 48, 50, 51, 52, 53, 55, 56, 64, 65, 69, 70, 71, 72, 74, 75, 76, 77, 79, and 80.

Amendment no. 3: The House bill fixed the pre-war period, August 1909–July 1914, as the base period for all agricultural commodities. The Senate amendment provides that in the case of tobacco and milk and its products the base period shall be the post-war period, September 1919–August 1928. The conference agreement provides that the base period in the case of milk and its products shall be the pre-war period and, in the case of tobacco, the post-war period, August 1919–July 1929.

Amendment no. 5: The House bill directs the Farm Board and all departments and agencies of the Government to sell all cotton owned by them to the Secretary of Agriculture at such price as may be agreed upon. The Senate amendment contains the same requirement except that cotton owned by the Federal intermediate credit banks is not required to be so sold and the price paid shall not be in excess of the market price.

Both the House bill and the Senate amendment require that the Government agencies to which the section applies shall take such action and make such settlements as may be necessary for them to acquire full legal title to cotton on which money has been loaned or advanced or which is held as collateral for loans or advances. The Senate amendment includes futures contracts for cotton as well as cotton on which money has been loaned or advanced. Both the House bill and the Senate amendment require the cotton to be sold to the Secretary of Agriculture.

Under the House bill the settlements of loans or advances are to be made on such terms as, in the judgment of the Secretary of Agriculture and the department or agency involved, may be deemed advisable. Under the Senate amendment the terms of the settlements are provided for therein in the case of cotton taken over by departments or agencies other than the Secretary of Agriculture. Such cotton is to be taken over at a price equal to the amount of the loan or advance outstanding against it, including loans or advances senior to the Government loan, plus such amount as is required to adjust advances by the borrower to the growers to 90 percent of the value of their cotton on the date of delivery of the cotton as

collateral. The sums required to adjust advances to growers are to be computed by subtracting the total amount advanced to growers on account of pools of which the cotton was a part from 90 percent of the value, at the time of delivery as collateral, of the cotton to be taken over, plus charges and operating costs and less existing assets of the borrower derived from net income, earnings, or profits from such cotton or operations to which such cotton is related. The department or agency making the settlement is to determine the amounts specified.

The House bill did not specifically provide for the case of cotton held by the Secretary of Agriculture as collateral for loans or advances by him. Under the Senate amendment the Secretary is to make settlements on such terms as he deems advisable and he is authorized to indemnify or furnish bonds to warehousemen for lost warehouse receipts and to pay the premiums on the bonds.

Both the House bill and the Senate amendment authorize the purchase by the Secretary of Agriculture of the cotton from the other departments or agencies. The House recedes.

Amendment no. 6: The House bill authorized and directed the Reconstruction Finance Corporation to advance money and make loans to the Secretary of Agriculture to acquire cotton under the cotton option plan and to pay the carrying costs thereon, with warehouse receipts as collateral security. The Senate amendment provides for such advances and loans and includes, in addition, loans and advances for the purpose of paying classing and merchandising costs, and provides that where it is impossible or impracticable for the Secretary of Agriculture to deliver warehouse receipts as collateral security the Corporation may accept such other security as it may consider acceptable, including assignments of the equity and interest of the Secretary in warehouse receipts pledged to secure other indebtedness. The Senate amendment also increases the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and have outstanding by an amount sufficient to carry out these provisions. The House recedes.

Amendment no. 7: This amendment is a clarifying amendment; and the House recedes.

Amendment no. 8: The House bill authorized the Secretary of Agriculture, under the cotton option plan, to sell to the producer an amount of cotton equivalent to the amount of reduction in cotton production. The Senate amendment authorizes the sale in such cases of an amount to be agreed upon not in excess of the amount of such reduction. The House recedes.

Amendments nos. 9 and 10: These amendments authorize the Secretary of Agriculture to enter into option contracts with respect to cotton not disposed of by him, conditioned upon reduction of production in 1934, and permit the producer to exercise the option up to January 1, 1935, and change the date by which the Secretary must have disposed of cotton acquired by him from March 1, 1935, to March 1, 1936. The House recedes.

Amendment no. 11: This amendment strikes out the provision of the House bill which authorized the Secretary of Agriculture to sell unlimited amounts of cotton at any time that a price of not less than 10 cents, basis middling, can be obtained at the ports. The amend-

ment also inserts a provision authorizing the Secretary to enter into additional option contracts for so much of the cotton as is not necessary to comply with the cotton-option plan, in combination with the utilization of the commodity-benefit plan provided for in part 2 of the title. The House recedes with a clerical amendment.

Amendment no. 13: The House bill provided for rental or benefit payments to be made only in connection with reductions in acreage or reductions in production for market or both. The Senate amendment provides that rental or benefit payments may also be made irrespective of any reduction in acreage or reduction in production provided the rental or benefit payments are limited to that portion of the production of the commodity that is required for domestic consumption. The House recedes.

Amendment no. 14: This amendment authorizes the Secretary of Agriculture to advance a reasonable percentage of any benefit payment on grains stored on the farm. In any such case he is authorized to make a deduction from the benefit payment of not more than one half cent per bushel for inspection and sealing, but no deduction is to be made for interest. The conference agreement applies the provisions to any nonperishable agricultural commodity and authorizes the Secretary of Agriculture to determine the amount of a reasonable deduction from benefit payments to be made to compensate for the cost of inspection and sealing.

Amendments nos. 15, 19, and 22: These amendments are clarifying amendments. The House recedes.

Amendment no. 16: Under the House bill the Secretary of Agriculture is authorized to enter into marketing agreements with respect to any agricultural commodity or products thereof. The Senate amendment limits the application of the agreements to basic agricultural commodities and products thereof. The Senate recedes.

Amendment no. 17: The Senate amendment specifically provides that any legal marketing agreement provided for in the subsection shall not be held in violation of the antitrust laws, and further provides that the agreements shall not remain in force after the termination of the act. The conference agreement provides that the making of the marketing agreements shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful, and retains the provision in the Senate amendment that no such agreement shall remain in force after the termination of the act.

Amendment no. 18: Under the House bill loans by the Reconstruction Finance Corporation to parties entering into marketing agreements were to bear interest at a rate not in excess of 3 percent per annum. This amendment strikes out the language with respect to rate of interest, leaving the rate in such cases to be fixed in accordance with the Reconstruction Finance Corporation Act. The House recedes.

Amendment no. 20: Under the House bill, the Secretary of Agriculture was authorized to issue licenses permitting the handling in interstate or foreign commerce of any basic agricultural commodity or product thereof or any competing agricultural commodity or product thereof. The Senate amendment permits licenses to be issued with respect to any competing commodity or product thereof whether or not an agricultural commodity. The House recedes.

Amendment no. 21: This amendment makes any order of the Secretary of Agriculture suspending or revoking any license issued under the subsection final if the order is in accordance with law. The House recedes.

Amendment no. 24: This amendment makes it unlawful for any person to remove a basic agricultural commodity upon which a storage certificate is outstanding from a warehouse unless the commodity is moved for continued storage and a warehouse certificate is issued by a public warehouseman guaranteeing redelivery of a like grade, dockage, quality, and quantity. In addition to the criminal penalty, the provision authorizes the Secretary of Agriculture to revoke any license of the violator which has been issued to him under subsection (3) for violation of the provisions of the subsection. The provision as agreed to in conference prohibits any person engaged in the storage in a public warehouse of any basic agricultural commodity in the current of interstate or foreign commerce from delivering such commodity upon which a warehouse receipt has been issued or is outstanding without prior surrender and cancelation of the warehouse receipt, and retains the penalties provided in the Senate amendment.

Amendment no. 25: The House bill provided that the processing tax should be levied for the purpose of raising revenue for extraordinary expenditures incurred by reason of the national economic emergency. The purpose of the tax, as stated in the Senate amendment, is to obtain revenue for extraordinary expenses incurred under the agricultural adjustment provisions of the bill. The conference agreement adopts the substance of the House provision.

Under the House bill, whenever rental or benefit payments are made in connection with reductions in acreage or in production of a commodity for market during any marketing period (as determined by the Secretary), the processing tax would be levied during that period. The Senate amendment omits reference to such reductions, in order to conform with amendment no. 13, which authorizes rental or benefit payments, under certain circumstances, irrespective of reduction in acreage or in production. Under the Senate amendment, when the Secretary proclaims that rental or benefit payments are to be made with respect to a commodity, the tax takes effect with respect to the commodity at the beginning of the next marketing year (as determined by the Secretary) after the date of the proclamation, and terminates at the end of the marketing year in which the Secretary proclaims that such rental or benefit payments are to be discontinued.

Both the House bill and the Senate amendment provide that the processing tax shall be at such rate as equals the difference between the current average farm price for the commodity and the fair exchange value therefor, this maximum rate being subject to reduction under specified circumstances. In the House bill the maximum rate shall be reduced if the Secretary finds that the imposition of the processing tax at that rate has resulted or is likely to result in a substantial reduction in quantity of the commodity or products thereof domestically consumed. In making such finding the Secretary is required to give due consideration to certain specified factors among others. Under the Senate amendment the Secretary of Agriculture is required to fix the tax at a rate lower than the maximum if he finds that the

tax at such maximum rate will cause such reduction in domestic consumption of the commodity as to result in the accumulation of surplus stocks of the commodity or products thereof or in the depression of the farm price of the commodity. Such lower rate shall be such as will prevent such accumulation of surplus stocks and depression of the farm price of the commodity. The factors specified in the House bill as guides to the Secretary in fixing the lower rate are omitted from the Senate amendment. The language of the Senate amendment also makes it clear that the Secretary may fix the tax at a rate lower than the maximum upon the requisite finding at any time, whether or not a tax at the maximum rate has previously been in effect. The conference agreement adopts the Senate provision.

Under the Senate amendment, the processing tax on cotton would be collected at the time that the processed goods are invoiced for sale by the processor, rather than at the time of processing. The conference agreement omits this provision.

The Senate amendment also provides that in computing any manufacturers' excise tax imposed by the Revenue Act of 1932 and based on weight, the weight of any processed cotton contained in the article shall first be deducted. The conference agreement makes it clear that this provision is to apply only in cases in which the processing tax has actually been collected and not refunded.

Under the Senate amendment it is provided that premiums paid for protein content of wheat shall not be taken into account in computing the current average farm price for the purpose of calculating the rate of the processing tax. The conference agreement retains this provision.

The Senate amendment defines the term "processing", with respect to various commodities, for the purposes of the provisions of part 2 of title I (commodity benefits). The House bill authorized the Secretary of the Treasury to define this term with respect to any commodity. The conference agreement adopts the Senate provision. See amendment no. 36.

The Senate amendment provides that when a processing tax takes effect, or is increased or decreased, the Secretary of Agriculture, in order to prevent pyramiding and profiteering, shall make public such information as he deems necessary on certain subjects relating to prices to consumers of the commodity taxed and prices paid to producers thereof. The conference agreement adopts the Senate provision.

Amendment no. 27: This amendment reduces the \$10,000 maximum fixed in the House bill which could be paid to any officer, employee, or expert under the Agricultural Adjustment Administration to \$8,500 per annum. The Senate recedes. The effect of the provision as agreed to in conference is that the maximum salary is \$10,000, which will be subject to the applicable reduction under the existing law, so that, applying the reduction at present in effect under the economy law, the maximum salary is \$8,500.

Amendment no. 28: This amendment strikes out the word "Emergency" in the title given to the division of the Department of Agriculture vested with the administration of the functions under the title. The House recedes.

Amendment no. 30: This amendment makes inapplicable the provisions contained in the act "To maintain the credit of the United

States Government" which require parts of appropriations to be impounded on account of reductions in compensation. The House recedes.

Amendment no. 32: The House bill permitted the Secretary of Agriculture to permit cooperative associations of producers to act as agents of their members and patrons in connection with the distribution of rental and benefit payments. The Senate amendment extends this authority to processors as well as associations of producers. The Senate recedes.

Amendments nos. 34 and 36: Under the House bill the Secretary of the Treasury was given the authority to establish conversion factors for any commodity or article processed therefrom, to determine the amount of the tax imposed, and was authorized to define "processing". Senate amendment no. 36 strikes out this provision. Amendment no. 34 gives the Secretary of Agriculture the authority, with the approval of the President, to establish conversion factors for any commodity or article processed therefrom, to determine the amount of tax imposed and the refunds to be made, and omits the provision authorizing defining of "processing". Under Senate amendment no. 25 processing is defined. The House recedes on amendments nos. 34 and 36.

Amendment no. 38: This amendment excludes the Canal Zone from the application of the agricultural adjustment provisions, and the House recedes.

Amendment no. 41: This amendment makes applicable in the administration of this title the provisions of sections 8, 9, and 10 of the Federal Trade Commission Act. These sections provide for the furnishing of records, papers, and information by the departments and bureaus of the Government, for requiring the attendance and testimony of witnesses and the production of documentary evidence, and for the taking of depositions. Penalties are provided for disobeying subpoenas and other requirements, for making false records, and (in the case of officers or employees administering the law) for unauthorized publication of information officially obtained.

The Senate amendment also authorizes the Secretary of Agriculture to designate officers and employees of the Department to hold hearings. Violations of any agreement are to be reported by the Secretary to the Attorney General and the Attorney General is required to cause appropriate proceedings to enforce the agreement to be conducted in courts. The House recedes.

Amendment no. 42: This amendment provides that the officers, agents, inspectors, and employees authorized under the act shall, so far as possible, be practical farmers and that their field of employment shall be limited to the congressional districts in which they reside. The Senate recedes.

Amendment no. 44: This amendment modifies the definition of basic agricultural commodity in the case of corn so that only field corn will be within such definition. The House recedes.

Amendment no. 45: This amendment eliminates from the definition of basic agricultural commodity cattle and sheep. The House recedes.

Amendment no. 46: This amendment includes sugar beets and sugar cane within the definition of basic agricultural commodity. The Senate recedes.

Amendment no. 49: The House bill appropriated the proceeds derived from taxes for rental and benefit payments and for administrative expenses under the cotton option plan and the commodity benefits provisions. The Senate amendment appropriates the proceeds of the taxes imposed and makes them available for the expansion of markets and removal of surplus agricultural products, for administrative expenses, and for rental and benefit payments under part 2 (the commodity benefits provision). The Senate amendment in addition appropriates \$100,000,000 to defray administrative expenses in connection with the agricultural adjustment program, and for the purpose of making rental and benefit payments with respect to reduction in acreage or production. The House recedes with clerical changes.

Amendment no. 54: The House bill provided that no processing tax should be required to be paid on the processing by the producer thereof on his own premises of any commodity for consumption by his own family, employees, or household, and authorized the Secretary of Agriculture to exempt from the processing tax with respect to hogs, cattle, sheep, or milk and its products in cases where the producer's sales of the products did not exceed \$100 per annum. The Senate amendment substitutes therefor a provision authorizing the Secretary of Agriculture to provide for the exemption of commodities from the tax when processed by or for the producer.

The House recedes with an amendment which exempts from the processing tax any commodity processed by or for the producer thereof for consumption by his own family, employees, or household and which authorizes the Secretary of Agriculture to exempt from the payment of the processing tax the processing of commodities by or for the producer thereof for sale by him where, in the judgment of the Secretary, the imposition of a processing tax with respect thereto is unnecessary to effectuate the declared policy of the title.

Amendments nos. 57, 58, 59, 60, 61, and 62: The House bill authorized the imposition of compensating taxes on the processing of agricultural commodities that compete with basic agricultural commodities on which there is a processing tax, and defined competing agricultural commodities. The Senate amendments authorize the imposition of a tax in such cases on the processing of any commodity, whether or not agricultural in character, which competes with a basic agricultural commodity. The House recedes.

Amendment no. 63: The House bill authorized the imposition of compensating taxes equal to the amount of processing tax upon the importation of any article processed or manufactured wholly or in chief value from the commodity with respect to which the processing tax is in effect. The Senate amendment applies to an article processed or manufactured "wholly or in substantial part" from such commodity or commodities. The Senate recedes.

Amendment no. 66: This amendment provides that the compensating taxes collected upon importation, in the case of articles coming from the possessions of the United States to which the title does not apply, shall be paid into the Treasury of the possession of origin and used for the benefit of agriculture. The House recedes.

Amendments nos. 67 and 68: Under both the House bill and the Senate amendments a tax is imposed on floor stocks held for sale or other disposition on the date when a processing tax first takes effect.

The House bill exempted from this tax persons engaged solely in the retail trade, but only to the extent of stocks sold or otherwise disposed of for consumption within 1 month after that date. The Senate amendment exempts retail stocks of persons engaged in retail trade, whether or not they are engaged solely in that trade, but provides that such stocks do not include stocks in warehouses. Further, the Senate amendment, like the House bill, exempts only such portion of retail stocks as are sold or otherwise disposed of within 30 days.

Both the House bill and the Senate amendments provide for the refund or abatement of taxes paid on the processing of articles which are held for sale or other disposition at the time that the tax wholly terminates. Under the House bill this refund or abatement does not apply to persons engaged solely in retail trade. Under the Senate amendment the refund or abatement does not apply to the retail stocks of persons engaged in retail trade whether or not they are engaged solely in that trade. The House recedes.

Amendment no. 73: The House bill provided that in the case of contracts made prior to the date of approval of the act for delivery of a commodity after such date the tax should, subject to certain exceptions, be paid by the vendee instead of the vendor. The Senate amendment applies a similar rule with respect to contracts made prior to the date the processing tax first takes effect with respect to the commodity, for delivery of the commodity after such date. The House recedes with an amendment which applies the rule in the Senate amendment as well when delivery takes place on the day of the effective date of the tax.

Amendment no. 78: The House bill authorized the Secretary of the Treasury to permit the postponement of the payment of taxes for a period not exceeding 60 days. The Senate amendment extends this period to 90 days. The House recedes.

Amendments nos. 81 and 82: The House bill made processors subject to taxes eligible for loans from the Reconstruction Finance Corporation in cases where the immediate payment of the taxes from the processor's own funds would impose an undue financial burden. The Senate amendment extends this privilege to distributors as well as processors of commodities subject to tax. The House recedes.

Amendment no. 83: This amendment contains the so-called "cost-of-production plan". The committee of conference have come to no agreement on this amendment.

Amendment no. 84: This amendment (sections 21 to 42, inclusive) contains the provisions relating to agricultural credits. It is similar in many respects to H.R. 4795 which passed the House on April 13.

Section 21 authorizes the Federal land banks to issue not exceeding \$2,000,000,000 of farm-loan bonds, at a rate of interest of not more than 4 percent, which shall be guaranteed as to interest by the United States. The authority to issue such guaranteed bonds is to cease whenever in the judgment of the Farm Loan Commissioner farm-loan bonds of the Federal land banks not so guaranteed are readily salable in the open market at a yield not in excess of 4 percent and in any event at the expiration of 2 years.

These bonds may be used in three ways: First, to exchange for or purchase outstanding farm mortgages on the best terms possible; second, to make new loans on farm mortgages; third, after the expira-

tion of 1 year, if the bonds are not required for the first two purposes in the judgment of the Farm Loan Commissioner, to refinance at lower interest any outstanding issues of Federal farm-loan bonds.

Any Federal land bank borrower who obtains a loan hereafter may, after five years after the loan is made, tender interest-guaranteed bonds to the bank, which shall accept them at par in payment of the unpaid principal of the loan.

The conference agreement retains this section of the Senate amendment.

Section 22 authorizes the Federal land banks to buy or to exchange bonds for outstanding farm mortgages. The savings thus effected must be passed on to the farmer borrower. This is accomplished by issuing to him a new mortgage under the Farm Loan Act and by his subscribing for stock and otherwise complying with that act as in the case of other borrowers who secure land-bank loans. The price paid by a Federal land bank for any mortgage must not exceed the amount of unpaid principal of the mortgage, or 50 percent of the value of the land mortgaged plus 20 percent of the value of the permanent insured improvements, whichever is the smaller.

The conference agreement retains this section of the Senate amendment but provides that the purchase price of any such mortgage should not exceed 50 percent of the "normal" value of the land mortgaged.

Section 23 authorizes the Federal land banks for 5 years to grant extensions to farm borrowers who, after investigation, are shown to be deserving. In order to enable the Federal land banks to grant such extensions and to defer payment of principal as authorized under section 12 of the Federal Farm Loan Act, the Secretary of the Treasury is directed, upon request of the Federal land bank and with the approval of the Farm Loan Commissioner, to subscribe to the paid-in surplus of the Federal land bank an amount equal to the amount of the extensions and deferments. Fifty million dollars is authorized to be appropriated for the purpose. Repayment of these subscriptions may be made at any time by the bank with the approval of the Farm Loan Commissioner and must be made when he believes the bank has resources available for the purpose.

The conference agreement retains this section of the Senate amendment.

Section 24 reduces for a period of 5 years the interest rate on all outstanding and new loans made through national farm-loan associations or agents, or purchased from joint-stock land banks, by the Federal land banks, to $4\frac{1}{2}$ percent per annum, and suspends the payment of principal during the same period in cases where the borrowers are not in default. The rate on loans made through branches is not to exceed 5 percent. In order to compensate the Federal land banks for the loss of interest incurred by reason of the reduction in interest the Secretary of the Treasury is directed to pay to each Federal land bank the amount of such loss less any savings effected through the refinancing of Federal farm-loan bonds. Fifteen million dollars is authorized to be appropriated for this purpose for the fiscal year 1934 and such additional amounts during subsequent fiscal years as may be necessary.

The conference agreement retains this section of the Senate amendment.

Section 25 raises the maximum limit of Federal land bank mortgage loans from \$25,000 to \$50,000, but in each case where a loan is in excess of \$25,000 it must be approved by the Farm Loan Commissioner. The conference agreement retains this provision of the Senate amendment.

Section 26 authorizes the Federal land banks to make direct loans on first mortgages to farmers in localities where national farm-loan associations have not been organized or in localities where, although such associations have been organized, the farmers are unable to apply for loans because of the inability of the land banks to accept applications from the associations. The borrower is required to covenant to join a farm-loan association when formed in his locality. The charges made by the banks to applicants for such direct loans are not to exceed the charges made to borrowers through national farm-loan associations.

The conference agreement provides for interest on such direct loans at a rate one half of 1 percent higher than the rate on loans made through national farm-loan associations but the rate is to be reduced when the borrowers join an association. Joining such an association is also made permissive rather than mandatory as under the Senate amendment.

Section 27 authorizes receivers appointed under section 29 of the Federal Farm Loan Act to borrow, with the approval of the Farm Loan Commissioner, from the Reconstruction Finance Corporation on the security of receivers' certificates for the purposes of paying taxes on real estate owned by the bank or securing its mortgages. The conference agreement retains this provision.

Section 28 authorizes the Federal Reserve banks to make advances on promissory notes for a period not exceeding 15 days if such advances are secured by the deposit or pledge of interest-guaranteed bonds authorized to be issued under section 21 of this amendment. The conference agreement retains this provision.

Section 29 prohibits joint-stock land banks from issuing tax-exempt bonds and from making any farm loans except such as are incidental to the refinancing of existing loans or bond issues or to the liquidation of their real-estate holdings. The conference agreement retains this provision.

Section 30 directs the Reconstruction Finance Corporation to make \$100,000,000 available to the Farm Loan Commissioner to be used for 2 years in making loans to joint-stock land banks, at a rate of interest not exceeding 4 percent per annum, upon the security of first or purchase-money mortgages on farm property, or such other collateral as may be available to the banks. The maximum amount which may be loaned to any such bank is to be determined on the basis of the unpaid principal of its mortgages as compared with the total amount of the unpaid principal of the mortgages held by all such banks on the date of enactment of the act. Loans must not exceed 60 percent of the value of the real estate securing the collateral deposited with the Commissioner, as determined upon an appraisal made by appraisers appointed under the Federal Farm Loan Act. Loans are to be made to aid orderly liquidation in accordance with a plan submitted by the borrowing bank and approved by the Farm Loan Commissioner. The Commissioner, before he approves the plan, must be satisfied that it carries out the purposes of the section and

that money borrowed which is to be devoted to settlements with bondholders will be used only in effecting an equitable settlement with all bondholders.

No loan to a joint-stock land bank may be made under such section 30 until it agrees—

1. To reduce the interest rate to all its first-mortgage borrowers to 5 percent per annum.

2. Not to proceed against the mortgagor for 2 years from the date of the enactment of the act on account of default in interest or principal, nor to foreclose its mortgage during the same period except for abandonment of the mortgaged property or unless, in the opinion of the Farm Loan Commissioner, such foreclosure is necessary for other reasons.

3. That the bank will pay in purchasing its outstanding farm loan bonds out of the proceeds of the loan an amount not exceeding 100 percent of the amount which the holders may have paid for their bonds prior to April 17, 1933, plus interest on that amount at 5 percent from the date of purchase by the holders less any interest received by them, but in no case more than the face value of the bonds plus accrued and unpaid interest, and that whenever any such bonds are purchased by the bank at a price less than the face value plus accrued and unpaid interest the difference between the face value and interest and the amount paid by the bank for the bonds shall be credited pro rata to the bank's borrowers in reduction of their loans, but that no such credit shall be made until the profits on the bonds so purchased by the bank are sufficient to replace the amount by which its capital has been impaired.

The conference agreement eliminates the provisions of clause 3 above and provides that loans shall not exceed 60 percent of the "normal" value of the real estate securing the collateral deposited with the Commissioner.

Section 31 provides that the Reconstruction Finance Corporation shall make available to the Farm Loan Commissioner \$25,000,000 to enable him to make loans to joint-stock land banks. Such loans are to be in addition to the loans authorized in section 29 of the amendment and in addition to loans made to such bank under the Reconstruction Finance Corporation Act. Such loans are to be made at a rate of interest not exceeding 4 percent per annum for the purpose of securing the postponement for 2 years of the foreclosure of first mortgages held by such banks on account of default in payment of interest and principal and delinquent taxes. During the period of postponement the bank is to charge the mortgagor interest at a rate not to exceed 4 percent per annum on the aggregate amount of such delinquent taxes and defaulted interest and principal.

The amount so loaned to any bank is to be made without reappraisal but the amount loaned with respect to any mortgage on account of unpaid principal is not to exceed 5 percent of the total unpaid principal of the mortgage, and the maximum which may be loaned with respect to any mortgage shall not exceed 25 percent of the total unpaid principal.

No such loan is to be made unless the Farm Loan Commissioner is satisfied, that after exercising ordinary diligence, the mortgagor is in default and unless the bank agrees to the satisfaction of the Commissioner that during the 2-year period the bank will not foreclose its

mortgage unless the mortgaged property is abandoned or such foreclosure is necessary, in the opinion of the Commissioner, for other reasons. Each such loan is to be secured by an assignment to the Commissioner of the lien of the taxes and/or the bank's mortgage, but the amount of the lien so assigned representing the unpaid principal and interest is to be subordinated to the existing lien of the bank for the balance of the indebtedness due under the terms of the bank's mortgage. The Commissioner may also require the bank to furnish additional collateral as security for any such loan if such collateral is available.

The conference agreement provides that such loans are to be made out of the funds made available to the Commissioner under section 30 of the Senate amendment but the maximum limit of \$25,000,000 is retained.

Section 32 authorizes and directs the Reconstruction Finance Corporation to make \$200,000,000 available to the Farm Loan Commissioner to be used in making direct loans to farmers upon first or second mortgage. The maximum loan to any one farmer is to be \$5,000, and the amount of the mortgage given as security plus all prior mortgages on the same farm property must not exceed 75 percent of the value of such property. The interest is not to exceed 5 percent per annum. The principal is made repayable in 10 installments, beginning during the fourth year after the loan is made. The proceeds of these loans are to be used:

1. To enable the farmer to refinance on better terms any secured or unsecured indebtedness.
2. To provide the farmer with working capital.
3. To enable the farmer to redeem or repurchase farm property lost by him through foreclosure between July 1, 1931, and the date of enactment of the act, or hereafter.

No loan is to be made under this section unless the holder of any prior lien "arranges to the satisfaction of the Farm Loan Commissioner to limit his right to proceed against the farmer and such farm property for default in payment of principal."

The conference agreement provides that in the case of a first or second mortgage secured wholly by real estate and made for the purpose of reducing and refinancing an existing mortgage, the loan may be repaid within an agreed period no greater than that for which loans may be made under the Federal Farm Loan Act. It is also provided that the "normal" value of the property is to be used in determining the maximum amount of the mortgage given as security for a loan and that the 3-year extension for the payment of principal is to apply only where the borrower is not in default with respect to any other condition or covenant of his mortgage.

Section 33 authorizes the Farm Loan Commissioner to make such rules and regulations as may be necessary; and to appoint, employ, and fix the compensation of such officers, etc., as may be necessary to carry out the purposes of the amendment, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States, but with the limitation that no salary or compensation in excess of \$8,500 per annum shall be paid to any such person.

The conference agreement fixes the maximum salary limit at \$10,000, since such salaries will be subject to the reductions under existing economy laws. This corresponds to the action under amendment numbered 27.

Section 34 provides for making the facilities of the Federal land banks and the national farm-loan associations available to the Farm Loan Commissioner to aid in administering the provisions of the amendment. The conference agreement adopts the Senate provisions.

Section 35 imposes a penalty of \$1,000 fine or six months' imprisonment, or both, for fraud in securing a loan under section 32 of the amendment. The conference agreement adopts the Senate provisions.

Section 36 authorizes the Reconstruction Finance Corporation to make loans in an aggregate amount not exceeding \$50,000,000 to drainage, levee, levee and drainage, irrigation, and similar districts, to private corporations organized for similar purposes, and to political subdivisions of States, which, prior to the date of enactment of the act, have projects substantially advanced toward completion, which are devoted chiefly to the improvement of land for agricultural purposes (including, in the case of irrigation systems, dams, reservoirs, and electric power projects used in connection with such systems). Such loans are to be made for the purpose of enabling such districts or political subdivisions to reduce and refinance their outstanding indebtedness incurred in connection with such projects, and, in the case of irrigation districts operating under contract with the United States, to aid in the payment of their operation and maintenance charges and to provide funds for installation of necessary works. The loans are to be made under the same terms and conditions as loans made under section 5 of the Reconstruction Finance Corporation Act, except that they may be made for a period not exceeding 40 years and are to be secured by refunding bonds issued to the Corporation which are secured by real property within the project, or assessments thereon, or such other collateral as may be acceptable to the Corporation. Other provisions are included requiring the borrowers from the Corporation to reduce the indebtedness to them of land owners within their projects by an amount corresponding to the reduction of the borrowers' own indebtedness by reason of the refinancing made possible under the section.

The Reconstruction Finance Corporation is also authorized to accept from such districts the pledge of their outstanding evidences of indebtedness as security for loans bearing interest at the rate of 4 percent per annum.

Upon request of the Secretary of the Interior, the Reconstruction Finance Corporation is further authorized to make available not to exceed \$5,000,000 to the Federal reclamation fund for the completion of projects under construction or approved and authorized. The funds so advanced are to be repaid within 5 years with interest at the rate of 4 percent per annum, out of receipts accruing to the reclamation fund.

The conference agreement eliminates the provisions relating to loans to private corporations and to irrigation districts operating under contracts with the United States to aid in the payment of their

operating and maintenance charges and the installation of necessary works. The provisions relating to the inclusion of dams, reservoirs, and electric power projects in the case of irrigation systems are also eliminated and the projects of borrowers which are eligible for loans are limited to those projects which have been completed prior to the date of enactment of the act.

The provision authorizing the Reconstruction Finance Corporation to accept from such districts the pledge of their outstanding evidences of indebtedness as security for loans is also omitted under the conference agreement and the provision relating to loans to the Federal reclamation fund is made a new section.

Section 37 increases the borrowing power of the Reconstruction Finance Corporation by \$325,000,000.

The conference agreement reduces this amount to \$300,000,000, since the additional \$25,000,000 is to be taken from the funds provided for in section 30 of the Senate amendment under the conference agreement.

Section 38 provides that when any Executive order heretofore transmitted to Congress under the recent reorganization law becomes effective, the functions and powers vested in the Farm Loan Commissioner by this amendment shall be exercised by him subject to the terms of that order. The conference agreement retains this provision.

Section 39 authorizes the Governor of the Farm Credit Administration, in carrying out the powers and duties vested in him or the Farm Credit Administration under Executive orders made under the recent departmental reorganization law, to establish and fix the duties of such organizations within the Administration as are necessary. The section also prohibits the payment of compensation to persons employed under the section at a rate in excess of \$8,500 per annum.

The conference agreement retains this section of the Senate amendment but fixes the maximum salary limit at \$10,000 for the same reason that the change was made in section 33. See also amendment no. 27.

Section 40 authorizes the President to establish a National Board of Conciliation charged with the administration of the section and authorizes the appointment of State boards of conciliation in each State. The State board in turn is to appoint or designate local boards. The State and local boards are given the duty of bringing about between farm mortgagors and mortgagees and other parties interested in farm mortgage indebtedness adjustments in farm indebtedness by reduction of principal and interest, by increasing the time of the loans, by providing for amortization payments, and by agreements under which payments can be made in farm products and their proceeds at prices more nearly equal the price thereof when the mortgage was executed. The conference agreement omits this section of the Senate amendment.

Section 41. This section provides that the Federal land banks and all Government agencies making loans to owners of groves and orchards shall give a reasonable and fair value to growing fruit trees constituting a substantial part of the value of the property. The conference agreement makes this provision permissive rather than mandatory.

Section 42 contains the short title of this amendment which forms title II of the bill. The conference agreement adopts the Senate provision.

The Senate amended the title of the bill to conform to new matter inserted by the Senate amendments. The House recesses.

MARVIN JONES,
JOHN D. CLARKE,
CLIFFORD R. HOPE,
WALL DOXEY,
H. P. FULMER,

Managers on the part of the House.

