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Senate Report to Accompany Agricultural Act of 1954

S. Rep. No. 83-1810 (1954)

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AGRICULTURAL ACT OF 1954

July 15 (legislative day, July 2), 1954.—Ordered to be printed

Mr. Aiken, from the Committee on Agriculture and Forestry, submitted the following

REPORT

together with

SUPPLEMENTAL, MINORITY, AND SEPARATE VIEWS

[To accompany S. 3052]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 3052) to encourage a stable, prosperous, and free agriculture, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with an amendment.

General Statement

S. 3052 was introduced to carry out a number of recommendations contained in the President's message of January 11, 1954 (H. Doc. No. 292). After extensive hearings and consideration of the bill your committee recommends its passage with a number of changes which have been incorporated in a single amendment in the nature of a substitute. The committee substitute is fully discussed below.

SHORT TITLE

The first section of the substitute provides that it may be cited as the "Agricultural Act of 1954."

TITLE I—SET-ASIDE OF AGRICULTURAL COMMODITIES

Title I of the substitute provides for the insulation from commerical markets of up to $2,500 million worth of agricultural commodities held or hereafter acquired by Commodity Credit Corporation from 1954 and prior years' production.' The commodities and the maximum and minimum quantities thereof which may be set aside within the $2,500 million limitation are as follows:

Commodity	Maximum quantity	Minimum quantity
Wheat (bushels)	500,000,000	400,000,000
Upland cotton (bales)	4,000,000	3,000,000
Cottonseed oil (pounds)	500,000,000	0
Butter (pounds)	200,000,000	0
Nonfat dry milk solids (pounds)	300,000,000	0
Cheese (pounds)	150,000,000	0

Commodities so set aside could be disposed of only at 105 percent of parity or for foreign aid, market development, school lunch, stockpiling, research or education, and disaster or national emergency purposes, and then only in such manner as not to interfere with normal marketings.

Commodities so set aside would be excluded from the computation of "carryover" for the purpose of determining price support levels, but not for the purpose of applying marketing quotas or acreage allotments. Wheat and cotton are the only commodities which may be included in the set-aside which would be affected by this provision, since "carryover" does not enter into the determination of the minimum price support levels for the other commodities to be set aside, and wheat and cotton would be affected only after 1955 in view of the provisions of section 201 of the committee substitute fixing the support level for 1955 at 90 percent of parity. It is estimated that the minimum support level for the 1956 crop of cotton would be 88 percent of parity with no set-aside and 90 percent of parity with either the maximum or minimum set-aside. The minimum support level for the 1956 crop of wheat is estimated at 75 percent of parity with no set-aside or with a set-aside of 400 million bushels and approximately 84 percent of parity with a set-aside of 500 million bushels. This title also provides for exclusion of commodities in the national stockpile from the computation of "carryover," but in this respect it makes no change from the existing law as contained in section 301 (d) of the Agricultural Adjustment Act of 1938, as added by section 6 of Public Law 117 of this Congress.

Your committee made two changes in this title from the bill as introduced. First, a provision delaying the set-aside until "after the price support schedules prescribed by section 101 of the Agricultural Act of 1949 become effective" has been omitted, since section 201 of the committee substitute would make these schedules inapplicable to the 1955 crop, and since the omitted provision would, in any event, have made the effective date of the set-aside provision uncertain. Second, use of the set-aside commodities for relief purposes in the United States has been limited to disaster relief.

TITLE II—SUPPORT PRICES

Basic commodities

Section 201 of the committee substitute would continue price support on the 6 basic commodities—corn, cotton, peanuts, rice, tobacco, and wheat—at 90 percent of parity for 1 additional year, 1955. A majority of your committee felt that producers should be given this opportunity to bring supplies in line with demand through the operation of marketing quotas and acreage allotments, and that support prices should not be reduced at the same time that farmers' income is being reduced through restricted production. Tobacco producers, generally, would be entitled to support at 90 percent of parity in any event under section 101 (c) of the Agricultural Act of 1949.

Long staple cotton

Section 202 would set price support for long staple cotton at the minimum determined in accordance with the schedule set out in section 101 (b) of the Agricultural Act of 1949. Your committee is advised that the producers of this type of cotton desire to have the support set at the minimum level in order that the cotton may move freely into the market. This provision would be applicable only to extra long staple cotton described in subsection (a) and ginned as required by subsection (e) of section 347 of the Agricultural Adjustment Act of 1938.

Potatoes

Clauses (1) and (2) of section 203 simply remove potatoes from the list of commodities for which price support is mandatory under title II of the Agricultural Act of 1949. This title has been ineffective with respect to potatoes since section 5 of Public Law 471, 81st Cong. (7 U. S. C. 1450) prohibited price support for potatoes of the 1951 and subsequent crops unless marketing quotas were in effect. This section does not affect section 5 of Public Law 471 and price support for potatoes would continue to be prohibited.

Dairy products

Clause (3) of section 203 makes the following changes in the price support law applicable to milk and butterfat:

(1) The price support level for the marketing year September 1, 1954 to August 31, 1955, is fixed at not less than 85 percent of parity.

(2) During the period beginning September 1, 1954 and ending August 31, 1957 marketing years would begin on September 1, instead of April 1 as now provided by departmental regulation.

(3) During the period from enactment of the bill to August 31, 1956 payments to producers or processors would be authorized as methods for support.

(4) Loans on, and purchases of, milk and butterfat are authorized as methods of support, in addition to loans on, and purchases of, products of milk and butterfat.

(5) During the period September 1, 1954 to June 30, 1956, not to exceed $50 million of Commodity Credit Corporation funds would be used to increase the consumption of milk in schools.

(6) For the marketing years beginning in 1955 and 1956 the Secretary is directed to take seven enumerated factors into consideration, in addition to the level necessary to assure an adequate supply, in determining the price support level.

(7) In determining support prices the Secretary is directed until July 1, 1956 to use the parity equivalent for milk computed on the thirty-month base July 1, 1946 to December 31, 1948, rather than that computed on the new moving base prescribed by the Secretary in April of this year. The parity equivalent on the 1946–48 base is

88.5 percent of parity and this factor was used in determining the support prices now in effect. The parity equivalent computed on the moving base applicable to the period April through December 1954 is 84.1 percent. After July 1, 1956 the parity equivalent would be computed in a manner similar to that prescribed by the Secretary.

Feed grains

Section 204 provides mandatory price support for the 1955 and 1956 crops of oats, rye, barley, and grain sorghums at not less than levels comparable, on the basis of feed values, with the support level for corn. The Secretary is now required by section 401 (b) of the Agricultural Act of 1949 to take into account the feed value of these grains in relation to corn, along with other factors, in determining the price support levels, if any, for these commodities. This section would make feed values the sole factor to be taken into account, make price support mandatory, and remove the 90 percent of parity limitation on the maximum support level. The following table shows the 1954 support prices for these commodities and their support prices determined under this section, using current data:

Commodity	1954 support prices		Support prices under sec. 204 of committee substitute	
	Dollars and cents	Percent of parity	Dollars and cents	Percent of parity
Oats.....bushel..	$0.75	85	$0.81	92
Rye.....do....	1.43	85	1.38	81
Barley.....do....	1.15	85	1.31	96
Grain sorghums.....hundredweight..	2.28	85	2.89	113

Diverted acreage

Section 205 directs the Secretary, to the extent necessary and practicable to prevent the production of excessive supplies, to condition price support for any commodity on the producer's limiting production on acres diverted from crops receiving price support. Such limitations would be prescribed on an appropriate geographical basis and would cover commodities produced for either direct or indirect sale, thereby covering feed commodities which might be sold in the form of livestock and poultry products. While your committee is confident that the Secretary would not exercise the authority conferred by this section in a manner that would interfere with the exercise of good husbandry, the substitute contains specific provision to allow the production, storage, and subsequent use of forage crops in those areas where reserves against drought or other eventuality are recognized as being required by good husbandry.

Your committee is keenly aware that the effect of the limitations authorized by this section would be lost if imports were freely admitted to replace the prohibited domestic production, and your committee recommends prompt application of section 22 of the Agricultural Adjustment Act of 1938 to control imports whenever necessary to prevent interference with any program authorized by this section.

TITLE III—AMENDMENTS TO THE AGRICULTURAL ADJUSTMENT ACT OF 1938 AND RELATED LEGISLATION

Transitional parity

Section 301 would amend the definition of "transitional parity price" as applied to the basic agricultural commodities so as to make it "old parity" less 5 percent for each full year elapsed since January 1, 1955 (instead of 1949). Transitional parity, which was designed to provide a gradual transition from "old parity" to "modernized parity", has been inapplicable to the basic commodities because section 301 (a) (1) (G) of the Agricultural Adjustment Act prevents any reduction from old parity for those commodities during the period January 1, 1950, to December 31, 1955. As now defined transitional parity, on January 1, 1956, would be old parity less 35 percent. The amendment provided by this section is necessary, therefore, if transitional parity is to accomplish its purpose of providing a gradual change from the old parity price for the basic commodities.

Of the six basic commodities, tobacco, rice, and cotton would not be affected by this provision since modernized parity prices for tobacco and rice are higher than their old parity prices, and since the modernized parity price for cotton is within 5 percent of its old parity price. Wheat and corn would be accorded a 2-year transition by this provision, while peanuts would be given 3 years. The following table shows how the six basic commodities would be affected by this provision:

	Old parity as of July 1, 1954 (1)	"Modernized" parity as of July 1, 1954 (2)	Effective parity as of Jan. 1, 1956, under existing law (based on cols. 1 and 2) (3)	Effective parity as of Jan. 1, 1956, under this section (based on cols. 1 and 2) (4)
Corn ...bushels..	$1.81	$1.61	$1.61	$1.72
Cotton ...pounds..	.3497	.3353	.3353	.3353
Peanuts ...do....	.135	.108	.108	.128
Rice ...hundredweight..	5.10	5.47	5.47	5.47
Tobacco (pounds):				
Flue-cured	.529	.530	.530	.530
Burley	.513	.513	.513	.513
Wheat ...bushels..	2.49	2.13	2.13	2.37

Increases in allowances for carryover, corn and wheat

Section 302 (a) would increase the allowances for carryover provided for in the definitions of "normal supply" for corn and wheat to 15 percent of domestic consumption and exports (from 10 percent) in the case of corn, and to 20 percent of domestic consumption and exports (from 15 percent) in the case of wheat. These increased allowances for carryover more nearly represent the actual carryover needed to provide against short crops or unforeseen demand conditions. Increasing these allowances would (1) provide a larger acreage allotment objective for corn, (2) defer the imposition of marketing quotas for wheat (required when the supply reaches 120 percent of normal), and (3) increase the minimum support levels provided by the schedule in section 101 (a) for each of these commodities by from 2 to 3 percent of parity (except when the supply percentage is substantially above 130 or below 102). "Normal supply" for corn would be increased about 160 million bushels. "Normal supply" for wheat would be increased about 45 million bushels.

Change to 5-year data in corn computations

Sections 302 (b), 302 (c), 305 and 306 provide for computing county and farm "normal yields," and commercial area and county acreage allotments for corn on the basis of 5-year yields and seeded acreages, instead of 10-year yields and seeded acreages. They also eliminate adjustments for trends in yields, since use of the more recent data, by more accurately representing current conditions, makes such adjustment unnecessary. No State corn allotment would be changed by more than 2 percent by this change in data.

Repeal of corn quota authority

Sections 303, 304, 307 (c), and 308 repeal authority for mandatory marketing quotas for corn. This authority has never been used and it is generally believed that corn quotas could not be made to work on a satisfactory basis in view of the small percentage of the crop which is marketed as corn. Acreage allotments would continue to be established for the commercial corn-producing area as at present, but the only penalty would be ineligibility for price support.

Termination of allotments

Sections 307 (a) and 307 (b) clarify the authority of the Secretary to terminate or increase acreage allotments as well as marketing quotas whenever he finds such action necessary to meet a national emergency or material increase in export demand.

Summer fallow wheat acreage adjustment

Section 309 provides relief from hardship for certain wheat farmers following summer fallow practices. Because of shifts in wheat production during the period in which State and county base acreages were built up and because some farmers in these areas have shifted from summer fallow practices to continuous wheat production, many farmers who have continued this prudent practice received 1954 farm allotments which represented cuts below their farm base acreages considerably in excess of the national average cut. (Based on the average acreage seeded to wheat for 1952 and 1953 as reported by farmers, the national average cut for 1955 would be 32.6 percent.) Since the land summer fallowed is already out of production, and since the summer fallow areas are largely one-crop areas in which the Secretary's announced intention to limit the use of acreage diverted from wheat will have a specially severe effect, similar excessive cuts in 1955 would produce real hardship. This section, therefore, provides for increasing the allotments of certain of these farms, within specified limits, to an amount equal to their adjusted base acreage, less the national average cut. The provision is applicable only to farms which follow summer fallow practices, which would receive an above average cut, and on which less than 640 acres were planted to wheat in each of the years 1952 and 1953. Adjustments in base acreage are made for farms which shifted their rotation system in anticipation of allotments, or which summer fallow only part of the acreage to be seeded, so as to reduce the benefits otherwise accorded such farms by this provision. No allotment would be reduced by this provision. The acreage required to make the adjustments required by this section would be in addition to the national, State, and county allotments made without regard to this section. Before your committee decided to limit relief to farms which planted less than 640 acres, it received an estimate from officials of the Department of Agriculture which indicated that this provision would probably require somewhat less than 780,000 additional acres. No estimate has been obtained as to the effect of the 640-acre limitation, but it is understood that it will very substantially reduce the required acreage.

This section is similar to section 305 of H. R. 9680 as passed by the House, but differs in the following respect (the first two changes having been recommended by the Department as essential to make the formula workable):

(1) The Senate formula uses the acreage summer fallowed in 1951 and 1952 for production in 1952 and 1953, whereas the House used the acreage summer fallowed in 1952 and 1953.

(2) The Senate formula takes the Secretary's regulations into account. These regulations provide for eliminating data which, under the rotation system followed, is not representative of the year for which the allotment is being determined. Thus, for example, if the crop-rotation system followed calls for planting 600 acres in each even-numbered year and no acreage in odd-numbered years, no acreage would be expected to be planted in 1955 and therefore the 600-acre data would be eliminated, leaving the farm with a base acreage for 1955 of zero.

(3) Except for farms summer fallowing 90 percent or more of the acreage seeded to wheat for the following year under a regular rotation system, the base acreage used in the Senate formula would be restricted to 50 percent of the cropland. Most of the wheat farms in the Pacific Northwest area would fall within the exemption to this provision.

(4) No farm which planted more than 640 acres to wheat in either 1952 or 1953 would be entitled to any relief under the Senate provision.

The following table illustrates how the base acreage would be computed under the Secretary's regulations, the House provision, and the Senate provision:

	1951		1952		1953		Base acreage		
	Seeded	Fallowed	Seeded	Fallowed	Seeded	Fallowed	Secretary's regulations	H. R. 9680	S. 3052
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Farm A	600	(0)	(0)	600	600	0	600	300	600
Farm B	200	(400)	(400)	200	200	400	200	300	200
Farm C	400	(200)	(200)	400	400	200	400	300	400
Farm D	400	200	400	200	400	200	400	300	300
Farm E	300	300	300	300	600	0	450	300	300

Explanatory Note.—Column (7) is the average of the data shown in columns (3) and (5) after eliminating, pursuant to the Secretary's regulations, the data shown in parentheses.

Column (8) is the average of the data shown in columns (3), (4), (5), and (6), without eliminating the data in parentheses.

Column (9) is the average of the data shown in columns (2), (3), (4), and (5) after eliminating the data shown in parentheses, and, in the case of Farm E, application of the 50 percent of cropland limitation.

Under either the House or Senate version, the minimum allotment for the farm would be determined by multiplying the base acreage (as determined under such version) by .674 (1.000 less .326, the national average cut). Thus in the case of Farm A the minimum allotment under the House bill would be 202 acres (300 times .674), while under the Senate version it would be 404 acres (600 times .674). If Farm A were located in a county in which the actual cut was 40 percent, the allotment for Farm A computed without this provision would be 360 acres, the additional acreage provided by the House bill would be zero, and the additional acreage provided by the Senate bill would be 44 acres.

TITLE IV—AMENDMENTS TO THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

Section 401 would make the following changes in the Agricultural Adjustment Act (of 1933) as amended by the Agricultural Marketing Agreement Act of 1937:

(1) It would authorize the continuous operation of marketing agreements and orders, even though prices might be above parity, if necessary to provide an orderly flow to market throughout the marketing season without unreasonable fluctuations in supplies and prices. At present programs must be discontinued when the parity objective is achieved.

(2) Grapefruit for canning or freezing (but not the canned or frozen product) would be included among the commodities to which marketing orders may be made applicable, but orders could be made applicable to it only if approved by a majority of the processors (in both number and volume). At present all fruits and vegetables for canning or freezing, except olives and asparagus, are exempt from such regulation. Your committee feels that marketing orders have been highly successful for many fruits and vegetables, and that there is considerable need for extension of order authority to grapefruit for canning or freezing. Processor representation would be required in agencies selected to administer orders applicable to grapefruit for canning or freezing.

(3) Regulation by marketing order of containers and types of pack for fresh or dried fruits, vegetables, and tree nuts would be authorized, if such action did not conflict with the Standard Containers Acts of 1916 and 1928. This would make it possible to prevent the use of off-size, false-bottom, and other containers which either deceive the public and result in unfair competition, or for other reasons are not in the best interest of producers and consumers.

(4) Funds collected under marketing orders other than for milk would be authorized to be used for marketing research and development projects.

(5) Imports of tomatoes, avocados, limes, and grapefruit would be prohibited if they did not comply with grade, size, quality, and maturity provisions of all marketing orders applicable to the same commodities produced in the United States.

TITLE V—AMENDMENTS TO THE SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

Amendments to section 8

Section 501 would amend section 8 of the Soil Conservation and Domestic Allotment Act to (1) extend for 2 years the Secretary's authority to make agricultural conservation payments on a national basis; (2) continue State, county, and local committees for use in other programs in States where the conservation payment program is administered under a State plan; and (3) make permissive, rather than mandatory, the Secretary's authority to fix fair prices for conservation materials and services under section 8 (b), since in many cases the fair price tends to become a minimum.

Distribution of payments among States—Diverted acreage

Section 502 provides for the distribution of agricultural conservation payments among the States on the basis of conservation needs, but no State's funds may be reduced by more than 15 percent from the amount received the preceding year. This provision has been carried in the annual Department of Agriculture Appropriation Act for the past several years. The section further directs the Secretary to give particular consideration to conservation problems on acreage diverted from crops under acreage allotment in administering the ACP program:

TITLE VI—AGRICULTURAL ATTACHÉS

Section 601 authorizes the Secretary of Agriculture to appoint agricultural attachés and gives him broad authority with respect to their duties, compensation, rights, and other matters.

TITLE VII—NATIONAL WOOL ACT OF 1954

Title VII provides price support for wool and mohair through payments and other operations at levels necessary to encourage desired levels of production, and is identical to S. 2911 as passed by the Senate on April 27, 1954. The House has included wool price-support provisions in H. R. 9680 passed by it on July 2, and if the matter contained in S. 3052 should be substituted as an amendment to H. R. 9680 it is desirable that the Senate provisions on wool should be in conference.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1949, AS AMENDED

TITLE I—BASIC AGRICULTURAL COMMODITIES

SEC. 101. * * *

(d) Notwithstanding the foregoing provisions of this section—

* * * * * * *

(6) the level of support [of] *to* cooperators shall be 90 per centum of the parity price for the [1953 and 1954] *1955* crop[s] of any basic agricultural commodity with respect to which producers have not disapproved marketing quotas.

* * * * * * *

(f) The provisions of this Act relating to price support for cotton shall apply severally to (1) American upland cotton and (2) extra long staple cotton described in subsection (a) and ginned as required by subsection (e) of section 347 of the Agricultural Adjustment Act of 1938, as amended, except [that the level of price support which shall be made available to cooperators for extra long staple cotton of the 1953 crop if producers have not disapproved marketing quotas therefor shall be at a level bearing the same relationship to the level of price support determined for American upland cotton as the average farm price for extra long staple cotton during the period 1936–42, inclusive, bore to such price for American upland cotton] *that, notwithstanding any of the foregoing provisions of section 101 of this Act, the level of support to cooperators for the 1955 and each subsequent crop of extra long staple cotton, if producers have not disapproved marketing quotas therefor, shall be the minimum level specified in section 101 (b) of this Act for the supply percentage for extra long staple cotton as of the beginning of the marketing year for the crop.* Disapproval by producers of the quota proclaimed under such section 347 shall place into effect the provisions of section 101 (d) (3) of this Act with respect to the extra long staple cotton described in subsection (a) of such section 347. Nothing contained herein shall affect the authority of the Secretary under section 402 to make support available for extra long staple cotton in accordance with such section 402.

TITLE II—DESIGNATED NONBASIC AGRICULTURAL COMMODITIES

SEC. 201. The Secretary is authorized and directed to make available (without regard to the provisions of title III) price support to producers for [wool (including mohair)] tung nuts, honey, [Irish potatoes,] milk, butterfat, and the products of milk and butterfat as follows:

[(a) The price of wool (including mohair) shall be supported through loans, purchases, or other operations at such level, not in excess of 90 per centum nor less than 60 per centum of the parity price therefor, as the Secretary determines necessary in order to encourage an annual production of approximately 360,000,000 pounds of shorn wool;]

(b) The price of tung nuts[,] *and* honey, [early, intermediate, and late Irish potatoes,] respectively, shall be supported through loans, purchases, or other operations at a level not in excess of 90 per centum nor less than 60 per centum of the parity price therefor;

(c) The price of whole milk, butterfat, and the products of such commodities, respectively, shall be supported at such level not in excess of 90 per centum nor less than 75 per centum of the parity price therefor as the Secretary determines necessary in order to assure an adequate supply. Such price support shall be provided through loans on, or purchases of, *or for the period ending August 31, 1956, payments to the producers or processors of, milk, butterfat, and* the products of milk and butterfat[.] *, except that, beginning September 1, 1954, and ending June 30, 1956, not to exceed $50,000,000 annually of funds of the Commodity Credit Corporation shall be used to increase the consumption of fluid milk by children in nonprofit schools of high school grade and under. In determining the level at which such price support for the marketing years beginning September 1, 1955, and September 1, 1956, respectively, shall be provided the Secretary shall take into consideration: (1) the declared policy of this Act, (2) the estimated supply of milk and dairy products for the marketing year, (3) the estimated demand for milk and dairy products for the marketing year, (4) the price level for feed crops which affect the cost of milk production, (5) the estimated costs of producing, processing, and marketing milk and dairy products, (6) estimated returns to farmers from alternative crops and commodities, and (7) other economic conditions which affect the market supply and demand for milk and dairy products. For the purpose of determining the level of price supports, the parity equivalent of manufacturing milk shall continne to be computed on the thirty-month base July 1, 1946, to December 31, 1948, at 88½ per centum of parity for all milk sold wholesale by farmers until ten full years shall have elapsed since July 1, 1946; thereafter the parity equivalent for manufacturing milk for any marketing year shall be computed on the basis of the average ratio which the prices received by farmers for manufacturing milk bears to the prices received by farmers for all milk sold wholesale during the most recent ten-year period ending July 1 of the previous year. Effective on milk and butterfat and the products thereof produced on and after September 1, 1954, the level of support for milk and butterfat for the marketing year ending August 31, 1955, shall be not less than 85 per centum of the parity price therefor.*

* * * * * * *

SEC. 304. Notwithstanding the foregoing provisions of this title price support shall be made available to producers for the 1955 and 1956 crops of oats, rye, barley, and grain sorghums at not less than the level the Secretary shall determine is the feed-value equivalent ratio to the support level for corn.

* * * * * * *

TITLE IV—MISCELLANEOUS

SEC. 401 * * *

COMPLIANCE WITH ACREAGE ALLOTMENTS, GOALS, AND MARKETING PRACTICES

(c) Compliance by the producer with acreage allotments, production goals and marketing practices (including marketing quotas when authorized by law), prescribed by the Secretary, may be required as a condition of eligibility for price support. *Whenever the Secretary determines that conditions are such that limitations on the use of diverted acres are necessary to prevent the production of excessive supplies, the Secretary shall, to the extent he determines practicable, require, as a condition of eligibility for price support for any commodity, that the producer may not produce, for direct or indirect sale, on acres diverted from crops receiving price support, or may so produce only within limitations prescribed by the Secretary, such commodities as the Secretary may specify on an appropriate geographical basis. The foregoing provision shall be administered in semiarid or other areas where good husbandry requires maintenance of a prudent feed reserve in such manner as to permit, to the extent so required by good husbandry, the production of forage crops for storage and subsequent use either on the farm or in feeding operations of the farm operator.*

* * * * * * *

AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED

TITLE III—PARITY PAYMENTS, CONSUMER SAFEGUARDS, AND MARKETING QUOTAS

SUBTITLE A—DEFINITIONS, PARITY PAYMENTS, AND CONSUMER SAFEGUARDS

DEFINITIONS

SEC. 301 (a) (1) * * *

* * * * *

(E) Notwithstanding the provisions of subparagraph (A), the transitional parity price for any agricultural commodity, computed as provided in this subparagraph, shall be used as the parity price for such commodity until such date after January 1, 1950, as such transitional parity price may be lower than the parity price, computed as provided in subparagraph (A), for such commodity. The transitional parity price for any agricultural commodity as of any date shall be—

(i) its parity price determined in the manner used prior to the effective date of the Agricultural Act of 1948 less

(ii) five per centum of the parity price so determined multiplied by the number of full calendar years which, as of such date, have elapsed after January 1, 1949[.], *in the case of nonbasic agricultural commodities, and after January 1, 1955, in the case of the basic agricultural commodities.*

* * * * *

SEC. 301 (b) * * *

(10) (A) "Normal supply" in the case of corn, rice, wheat, and peanuts for any marketing year shall be (i) the estimated domestic consumption of the commodity for the marketing year ending immediately prior to the marketing year for which normal supply is being determined, plus (ii) the estimated exports of the commodity for the marketing year for which normal supply is being determined, plus (iii) an allowance for carry-over. The allowance for carry-over shall be the following percentage of the sum of the consumption and exports used in computing normal supply: [10] *15* per centum in the case of corn; 10 per centum in the case of rice; [15] *20* per centum in the case of wheat; and 15 per centum in the case of peanuts. In determining normal supply the Secretary shall make such adjustments for current trends in consumption and for unusual conditions as he may deem necessary.

* * * * * * *

(13) (A) "Normal yield" for any county, in the case of corn or wheat, shall be the average yield per acre of corn or wheat for the county during the ten calendar years *in the case of wheat, or the five calendar years in the case of corn,* immediately preceding the year in which such normal yield is determined, adjusted for abnormal weather conditions and, *in the case of wheat, for* trends in yields. Such normal yield per acre for any county need be redetermined only when the actual average yield for the ten calendar years *in the case of wheat, or the five calendar years in the case of corn,* immediately preceding the calendar year in

which such yield is being reconsidered differs by at least 5 per centum from the actual average yield for the ten years *in the case of wheat, or the five years in the case of corn,* upon which the existing normal yield per acre for the county was based.

* * * * * * *

(E) "Normal yield" for any farm, in the case of corn, wheat, cotton, or peanuts, shall be the average yield per acre of corn, wheat, cotton, or peanuts, as the case may be, for the farm, adjusted for abnormal weather conditions and, in the case of [corn and] wheat, but not in the case of *corn,* cotton or peanuts, for trends in yields, during the ten calendar years in the case of [corn and] wheat, and five calendar years in the case of *corn,* cotton or peanuts, immediately preceding the year in which such normal yield is determined. If for any such year the data are not available or there is no actual yield, then the normal yield for the farm shall be appraised in accordance with regulations of the Secretary, taking into consideration abnormal weather conditions, the normal yield for the county, and the yield in years for which data are available.

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SUBTITLE B—MARKETING QUOTAS

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PART II.—[MARKETING QUOTAS—CORN] *ACREAGE ALLOTMENTS—CORN*

LEGISLATIVE FINDING

* * * * * * *

[FARM MARKETING QUOTAS

[SEC. 322. (a) Whenever in any calendar year the Secretary determines—

[(1) that the total supply of corn for the marketing year beginning in such calendar year will exceed the normal supply for such marketing year by more than 20 per centum; or

[(2) that the total supply of corn for the marketing year ending in such calendar year is not less than the normal supply for the marketing year so ending, and that the average farm price for corn for three successive months of the marketing year so ending does not exceed 66 per centum of parity

the Secretary shall, not later than November 15 of such calendar year, proclaim such fact and marketing quotas shall be in effect in the commercial corn producing area for the crop of corn grown in such area in the next succeeding calendar year and shall remain in effect until terminated in accordance with the provisions of this title. With respect to the 1950 crop of corn the determination and proclamation required by this section may be made, nowithstanding the foregoing, at any time prior to February 1, 1950, using 1949 as "such calendar year" for the purposes of (1) and (2) of the preceding sentence.

[(b) (Repealed by 62 Stat. 1256.)

[(c) (Repealed by 62 Stat. 1256.)

[(d) Within 20 days after the date of the issuance of the proclamation provided for in subsection (a) of this section, the Secretary shall conduct a referendum, by secret ballot, of farmers who would be subject to such quotas to determine whether such farmers are in favor of or opposed to such quotas. If more than one-third of the farmers voting in the referendum oppose such quotas, the Secretary shall, prior to March 10, proclaim the result of the referendum and such quotas shall not become effective.

[(e) Whenever it shall appear from the September production estimates officially published by the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics of the Department, that the total supply of corn as of the beginning of the next succeeding marketing year will not exceed the normal supply by more than 10 per centum thereof, the Secretary shall proclaim such fact prior to September 20, if farm marketing quotas have been proclaimed for such marketing year. Thereupon such quotas shall not become effective.

[AMOUNT OF FARM MARKETING QUOTA

[SEC. 323. (a) The farm marketing quota for any farm with respect to any crop of corn shall be an amount of corn equal to the sum of—

[(1) The amount of corn used as silage; and

[(2) The actual production of the acreage of corn not used as silage less the amount required for farm consumption and less the storage amount applicable to the farm as ascertained under section 324.

[(b) No farm marketing quota with respect to any crop of corn shall be applicable to any farm on which the normal production of the acreage planted to corn is less than three hundred bushels.

[STORAGE AMOUNT

[SEC. 324. (a) If the acreage of corn on the farm does not exceed the marketing percentage of the farm acreage allotment, there shall be no storage amount.

[(b) If the acreage of corn on the farm exceeds the marketing percentage of the farm acreage allotment, the storage amount shall be a number of bushels equal to the smallest of the following amounts—

[(1) The normal production of the acreage of corn on the farm in excess of the marketing percentage of the farm acreage allotment;

[(2) The amount by which the actual production of the acreage of corn on the farm exceeds the normal production of the marketing percentage of the farm acreage allotment; or

[(3) The amount of the actual production of the acreage of corn on the farm not used for silage.

[(c) If the storage amount ascertained under subsection (b) is less than 100 bushels, there shall be no storage amount.

[PENALTIES

[SEC. 325. (a) Any farmer who, while any farm marketing quota is in effect for his farm with respect to any crop of corn, markets corn produced on the farm in an amount which is in excess of the aggregate of the farm marketing quotas for the farm in effect at such time, shall be subject to a penalty of 15 cents per bushel of the excess so marketed. Liability for such penalty shall not accrue until the amount of corn stored under seal on such farm or in storage cribs rented by the farmer or under his control is less than the storage amount applicable to such crop plus the storage amounts, if any, applicable to other crops.

[(b) If there is stored under seal on the farm or in such cribs an amount of corn equal at least to the storage amount applicable to such crop plus such storage amounts applicable to such other crops, the farmer shall be presumed not to be violating the provisions of subsection (a). When the amount of corn stored under seal on the farm or in such cribs is less than the storage amount applicable to such crop plus such storage amounts applicable to such other crops, the farmer shall be presumed to have marketed, while farm marketing quotas were in effect, corn in violation of the provisions of subsection (a) to the extent that the amount of corn so stored is less than the aggregate of such storage amounts. In any action brought to enforce the collection of penalties provided for in this section, the farmer, to the extent that the amount of corn so stored is less than the aggregate of such storage amounts shall have the burden of proving that he did not market corn in violation of the provisions of subsection (a).

[(c) For the purposes of this Part, corn shall be deemed to be stored by the farmer under seal only if stored in such manner as to conform to the requirements of such regulations as the Secretary shall prescribe in order more effectively to administer this Part.]

ADJUSTMENT OF FARM MARKETING QUOTAS

SEC. 326. [(a) Whenever in any county or other area the Secretary finds that the actual production of corn plus the amount of corn stored under seal in such county or other area is less than the normal production of the marketing percentage of the farm acreage allotments in such county or other area, the Secretary shall terminate farm marketing quotas for corn in such county or other area.]

(b) Whenever, upon any farm, the actual production of the acreage of corn is less than the normal production of the marketing percentage of the farm acreage allotment, there may be marketed, without penalty, from such farm an amount of corn from the corn stored under seal pursuant to section 324 which, together with the actual production of the then current crop, will equal the normal production of the marketing percentage of the farm acreage allotment.

(c) Whenever, in any marketing year, marketing quotas are not in effect with respect to the crop of corn produced in the calendar year in which such marketing year begins, all marketing quotas applicable to previous crops of corn shall be terminated.

NOTE.—Subsections (b) and (c) of the above sections are made inapplicable to corn but remain applicable to wheat pursuant to section (6) of Public Law 74, 77th Congress. (Public Law 74 is set out hereinafter.)

[PROCLAMATIONS OF SUPPLIES AND] *PROCLAMATION OF* COMMERCIAL CORN-PRODUCING AREA

SEC. 327. [Not later than September 1, the Secretary shall ascertain and proclaim the total supply, the normal supply, and the reserve supply level for such marketing year.] Not later than February 1[,] *of each calendar year* the Secretary shall ascertain and proclaim the commercial corn-producing area.

ACREAGE ALLOTMENT

SEC. 328. The acreage allotment of corn for any calendar year shall be that acreage in the commercial corn-producing area which, on the basis of the average yield for corn in such area during the [ten] *five* calendar years immediately preceding such calendar year, adjusted for abnormal weather conditions [and trends in yield], will produce an amount of corn in such area which the Secretary determines will, together with corn produced in the United States outside the commercial corn-producing area [or] *and corn* imported, make available a supply for the marketing year beginning in such calendar year, equal to the normal supply. The Secretary shall proclaim such acreage allotment not later than February 1 of the calendar year for which such acreage allotment was determined.

APPORTIONMENT OF ACREAGE ALLOTMENT

SEC. 329. (a) The acreage allotment for corn shall be apportioned by the Secretary among the counties in the commercial corn-producing area on the basis of the acreage seeded for the production of corn during the [ten] *five* calendar years immediately preceding the calendar year in which the apportionment is determined (plus, in applicable years, the acreage diverted under previous agricultural adjustment and conservation programs), with adjustments for abnormal weather conditions and for trends in acreage during such period and for the promotion of soil-conservation practices: *Provided*, That any downward adjustment for the promotion of soil-conservation practices shall not exceed 2 per centum of the total acreage allotment that would otherwise be made to such county.

SEC. 371. * * *

(b) If the Secretary has reason to believe that, because of a national emergency or because of a material increase in export demand, *any national acreage allotment for corn or* any national marketing quota *or acreage allotment* for [corn,] wheat, cotton, rice, peanuts, or tobacco should be increased or terminated, he shall cause an immediate investigation to be made to determine whether the increase or termination is necessary in order to effectuate the declared policy of this Act or to meet such emergency or increase in export demand. If, on the basis of such investigation, the Secretary finds that such increase or termination is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by him to be necessary) and thereupon such quota *or allotment* shall be increased, or shall terminate, as the case may be.

(c) In case any national marketing quota *or acreage allotment* for any commodity is increased under this section, each farm marketing quota *or acreage allotment* for the commodity shall be increased in the same ratio.

[(d) In the case of corn, whenever such proclamation specifies an increase in marketing quotas, the storage amounts applicable to corn shall be adjusted downward to the amount which would have been required to be stored if such increased marketing quotas had been in effect. Whenever in the case of corn, such proclamation provides for termination of marketing quotas, storage under seal shall no longer be required.]

PUBLIC LAW 74, 77TH CONGRESS

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of the Agricultural Adjustment Act of 1938, as amended (hereinafter referred to as the Act)—

(1) The farm marketing quota under the Act for any crop of wheat shall be the actual production of the acreage planted to wheat on the farm, less the normal production or the actual production, whichever is the smaller, of that acreage planted to wheat on the farm which is in excess of the farm acreage allotment for wheat. The farm marketing quota under the Act for any crop of corn shall be the actual production of the acreage planted to corn on the farm, less the normal production or the actual production, whichever is the smaller, of that acreage planted to corn on the farm which is in excess of the farm acreage allotment for corn.

The normal production, or the actual production, whichever is the smaller, of such excess acreage is hereinafter called the "farm marketing excess" of corn or wheat, as the case may be. For the purposes of this resolution, "actual production" of any number of acres of corn or wheat on a farm means the actual average yield of corn or wheat, as the case may be, for the farm times such number of acres.

(2) During any marketing year for which quotas are in effect, the producer shall be subject to a penalty on the farm marketing excess of corn and wheat. The rate of the penalty shall be 50 per centum of the basic rate of the loan on the commodity for cooperators for such marketing year under section 302 of the Act and this resolution.

(3) The farm marketing excess for corn and wheat shall be regarded as available for marketing, and the penalty and the storage amount or amounts to be delivered to the Secretary of the commodity shall be computed upon the normal production of the excess acreage. Where, upon the application of the producer for an adjustment of penalty or of storage, it is shown to the satisfaction of the Secretary that the actual production of the excess acreage is less than the normal production thereof, the difference between the amount of the penalty or storage as computed upon the basis of normal production and as computed upon the basis of actual production shall be returned to or allowed the producer. The Secretary shall issue regulations under which the farm marketing excess of the commodity for the farm may be stored or delivered to him. Upon failure to store or deliver to the Secretary the farm marketing excess within such time as may be determined under regulations prescribed by the Secretary, the penalty computed as aforesaid shall be paid by the producer Any corn or wheat delivered to the Secretary hereunder shall become the property of the United States and shall be disposed of by the Secretary for relief purposes in the United States or in foreign countries or in such other manner as he shall determine will divert it from the normal channels of trade and commerce.

(4) Until the producers on any farm store, deliver to the Secretary, or pay the penalty on, the farm marketing excess of any crop of corn or wheat, the entire crop of corn or wheat, as the case may be, produced on the farm shall be subject to a lien in favor of the United States for the amount of the penalty

(5) The penalty upon corn or wheat stored shall be paid by the producer at the time, and to the extent, of any depletion in the amount of the commodity so stored, except depletion resulting from some cause beyond the control of the producer.

(6) Whenever the planted acreage of the then current crop of corn or wheat on any farm is less than the farm acreage allotment for such commodity, the total amount of the commodity from any previous crops required to be stored in order to postpone or avoid payment of penalty shall be reduced by that amount which is equal to the normal production of the number of acres by which the farm acreage allotment exceeds the planted acreage. The provisions of section 326 (b) and (c) of the Act shall be applicable also to wheat.

(7) A farm marketing quota on corn or wheat shall not be applicable to any farm on which the acreage planted to the commodity is not in excess of 15 acres. The marketing penalty on corn or wheat shall not be applicable to any farm which, under the terms of the then current agricultural conservation program formulated under sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, is classified as a nonallotment farm if the acreage of the commodity harvested on such nonallotment farm is not in excess of 15 acres or the acreage allotment for the farm, whichever is larger. If the acreage of the commodity harvested on any such nonallotment farm is in excess of 15 acres and in excess of such acreage allotment, the normal production or the actual production, whichever is the smaller, of the acreage harvested in excess of 15 acres or such acreage allotment, whichever is larger, shall be taken as the farm marketing excess and shall be subject to penalty: *Provided*, That there shall be no penalty on wheat harvested on any such nonallotment farm from which no wheat is sold if the acreage of wheat harvested on such farm does not exceed such acreage per family living thereon as may be used for home consumption without reducing the payment with respect to the farm under the then current agricultural conservation program: *Provided further*, That for the marketing year beginning in 1941, there shall be no marketing penalty on wheat with respect to any such nonallotment farm if the acreage of wheat harvested on the farm is not in excess of the usual acreage determined for the farm under the 1941 agricultural conservation program and the county committee determines, in accordance with regulations of the Secretary, that there will not be marketed an amount of wheat in excess of the 1941 farm marketing quota.

(8) Until the farm marketing excess of corn or wheat, as the case may be, is stored or delivered to the Secretary or the penalty thereon is paid, each bushel of the commodity produced on the farm which is sold by the producer to any person within the United States shall be subject to the penalty as specified in paragraph (2) of this resolution. Such penalty shall be paid by the buyer, who may deduct an amount equivalent to the penalty from the price paid to the producer.

(9) The marketing penalty for cotton and rice produced in the calendar year in which any marketing year begins (if beginning with or after the 1941–1942 marketing year) shall be at a rate equal to 50 per centum of the basic rate of the loan for cooperators for such marketing year under section 302 of the Act and this resolution.

(10) The Commodity Credit Corporation is directed to make available upon the 1941 crop of the commodities cotton, corn, wheat, rice, or tobacco, for which producers have not disapproved marketing quotas for the marketing year beginning in 1941, loans as follows:

(a) To cooperators (except cooperators outside the commercial corn-producing area, in the case of corn) at the rate of 85 per centum of the parity price for the commodity as of the beginning of the marketing year;

(b) To cooperators outside the commercial corn-producing area, in the case of corn, at the rate of 75 per centum of the rate specified in (a) above;

(c) To noncooperators (except noncooperators outside the commercial corn-producing area, in the case of corn) at the rate of 60 per centum of the rate specified in (a) above and only on so much of the commodity as would be subject to penalty if marketed.

(11) The provisions of this resolution are amendatory of and supplementary to the Act, and all provisions of law applicable in respect of marketing quotas and loans under such Act as so amended and supplemented shall be applicable, but nothing in this resolution shall be construed to amend or repeal section 301 (b) (6), 323 (b), or 335 (d) of the Act.

(12) Notwithstanding any of the foregoing provisions, the farm marketing excess for any crop of wheat for any farm shall not be larger than the amount by which the actual production of such crop of wheat on the farm exceeds the normal production of the farm wheat-acreage allotment, if the producer establishes such actual production to the satisfaction of the Secretary. Where a downward adjustment in the amount of the farm marketing excess is made pursuant to the provisions of this paragraph, the difference between the amount of the penalty or storage as computed upon the farm marketing excess before such adjustment and as computed upon the adjusted farm marketing excess shall be returned to or allowed the producer.

NOTE.—Above law made inapplicable to corn.

AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

SEC. 2. It is declared to be the policy of Congress—

* * * * * * *

(4) Through the exercise of the powers conferred upon the Secretary of Agriculture under this title, to establish and maintain such orderly marketing conditions for any agricultural commodity enumerated in section 8c (2) as will provide, in the interests of producers and consumers, an orderly flow of the supply thereof to market throughout its normal marketing season to avoid unreasonable fluctuations in supplies and prices.

* * * * * * *

SEC. 8c. * * *

(2) Orders issued pursuant to this section shall be applicable only to the following agricultural commodities and the products thereof (except *canned or frozen grapefruit, the* products of naval stores, and the products of honeybees), or to any regional, or market classification of any such commodity or product: Milk, fruits (including filberts, almonds, pecans and walnuts but not including apples, other than apples produced in the States of Washington, Oregon, and Idaho, and not including fruits, other than olives *and grapefruit,* for canning or freezing), tobacco, vegetables (not including vegetables, other than asparagus, for canning or freezing), soybeans, hops, honeybees and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin) [.]*: Provided, That no order issued pursuant to this section shall be effective as to any grapefruit for canning or freezing unless the Secretary of Agriculture determines, in addition to other findings and determinations required by this Act, that the issuance of such order is approved or favored by a majority of the processors who,*

during a representative period determined by the Secretary, have been engaged in canning or freezing such commodity for market and have canned or frozen for market more than 50 per centum of the total volume of such commodity canned or frozen for market during such representative period.

* * * * *

(6) [In the case of fruits (including filberts, almonds, pecans and walnuts but not including apples, other than apples produced in the States of Washington, Oregon, and Idaho, and not including fruits other than olives for canning) and their products, tobacco and its products vegetables (not including vegetables, other than asparagus, for canning) and their products, soybeans and their products, hops and their products, honeybees, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin), orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7) no others:] *In the case of the agricultural commodities and the products thereof, other than milk and its products, specified in subsection (2) orders issued pursuant to this section shall contain one or more of the following terms and conditions, and (except as provided in subsection (7)) no others:*

* * * * *

(H) Fixing or providing a method for fixing the size, capacity, weight, dimensions, or pack of the container, or containers, which may be used in the packaging, transportation, sale, shipment, or handling of any fresh or dried fruits, vegetables, or tree nuts: Provided, however, That no action taken hereunder shall conflict with the Standard Containers Act of 1916 (15 U. S. C. 251–256) and the Standard Containers Act of 1928 (15 U. S. C. 257–257i).

(I) Establishing or providing for the establishment of marketing research and development projects designed to assist, improve, or promote the marketing, distribution, and consumption of any such commodity or product, the expense of such projects to be paid from funds collected pursuant to the marketing order.

(7) In the case of the agricultural commodities and the products thereof specified in subsection (2) orders shall contain one or more of the following terms and conditions:

* * * * *

(C) Providing for the selection by the Secretary of Agriculture, or a method for the selection, of an agency or agencies and defining their powers and duties, which shall include only the powers:

(i) To administer such order in accordance with its terms and provisions;

(ii) To make rules and regulations to effectuate the terms and provisions of such order;

(iii) To receive, investigate, and report to the Secretary of Agriculture complaints of violations of such order; and

(iv) To recommend to the Secretary of Agriculture amendments to such order.

No person acting as a member of an agency established pursuant to this paragraph shall be deemed to be acting in an official capacity, within the meaning of section 10 (g) of this title, unless such person receives compensation for his personal services from funds of the United States. *There shall be included in the membership of any agency selected to administer a marketing order applicable to grapefruit for canning or freezing one or more representatives of processors of the commodity specified in such order.*

* * * * * * *

SEC. 8e. Notwithstanding any other provision of law, whenever a marketing order issued by the Secretary of Agriculture pursuant to section 8c of this Act contains any terms or conditions regulating the grade, size, quality, or maturity of tomatoes, avocados, limes, or grapefruit, produced in the United States the importation into the United States of any such commodity during the period of time such order is in effect shall be prohibited unless it complies with the grade, size, quality, and maturity provisions of such order. Such prohibition shall not become effective until after the giving of such notice as the Secretary of Agriculture determines reasonable, which shall not be less than three days. The Secretary of Agriculture may promulgate such rules and regulations as he deems necessary to carry out the provisions of this section. Any person who violates any provision of this section or of any rule, regula-

tion, or order promulgated hereunder shall be subject to a forfeiture in the amount prescribed in section 8a (5) or, upon conviction, a penalty in the amount prescribed in section 8c (14) of the Act, or to both such forfeiture and penalty.

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT, AS AMENDED

* * * * *

AUTHORITY OF SECRETARY TO MAKE PAYMENTS OR GRANTS OF AID DIRECTLY TO FARMERS

SEC. 8. (a) In order to carry out the purposes specified in section 7 (a) during the period necessary to afford a reasonable opportunity for legislative action by a sufficient number of States to assure the effectuation of such purposes by State action and in order to promote the more effective accomplishment of such purposes by State action thereafter, the Secretary shall exercise the powers conferred in this section during the period prior to [January 1, 1955] *January 1, 1957*, except with respect to farming operations commenced in any State after the effective date of a State plan for such State approved pursuant to section 7. No such powers shall be exercised after [December 31, 1954] *December 31, 1956*, except with respect to payments or grants in connection with farming operations carried out prior to [January 1, 1955] *January 1, 1957. During the period prior to January 1, 1957, the Secretary shall carry out the purposes specified in section 7 (a) through State action as rapidly as adequate State laws are enacted and satisfactory State plans are submitted. Notwithstanding the foregoing provisions of this section and section 7, the provisions of this section with respect to the State, county, and local committees of farmers shall continue in full force and effect for purposes other than the administration of State plans.*

(b) Subject to the limitations provided in subsection (a) of this section, the Secretary shall have power to carry out the purposes specified in clauses (1), (2), (3), (4), and (5) of section 7 (a) by making payments or grants of other aid to agricultural producers, including tenants and sharecroppers, in amounts determined by the Secretary to be fair and reasonable in connection with the effectuation of such purposes during the year with respect to which such payments or grants are made, and measured by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion; (2) changes in the use of their land; (3) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption; or (4) their equitable share, as determined by the Secretary, of the national production of any commodity or commodities required for domestic consumption and exports adjusted to reflect the extent to which their utilization of cropland on the farm conforms to farming practices which the Secretary determines will best effectuate the purposes specified in section 7 (a); or (5) any combination of the above. In arid or semiarid sections, (1) and (2) above shall be construed to cover water conservation and the beneficial use of water on individual farms, including measures to prevent runoff, the building of check dams and ponds, and providing facilities for applying water to the land. In determining the amount of any payment or grant measured by (1) or (2) the Secretary shall take into consideration the productivity of the land affected by the farming practices adopted during the year with respect to which such payment is made. In carrying out the provisions of this section in the continental United States, the Secretary is directed to utilize the services of local and State committees selected as hereinafter provided. The Secretary shall designate local administrative areas as units for administration of programs under this section. No such local area shall include more than one county or parts of different counties. Farmers within any such local administrative area, and participating or cooperating in programs administered within such area, shall elect annually from among their number a local committee of not more than three members for such area and shall also elect annually from among their number a delegate to a county convention for the election of a county committee. The delegates from the various local areas in the county shall, in a county convention, elect, annually, the county committee for the county which shall consist of three members who are farmers in the county. The local committee shall select a secretary and may utilize the county agricultural extension agent for such purpose. The county committee shall select a secretary who may be the county agricultural extension agent. If such county agricultural extension agent shall not have been elected secretary of such committee, he shall be ex officio a member of the county committee. The county agricultural extension agent shall not have the power to vote. In any county in which there is only one local committee the local committee shall also be the county committee. In each State there shall be a State committee for the State composed of not less than three or more than five farmers who are legal residents of the State and who are appointed by the Secretary. The State director of the Agricultural Extension Service shall be ex officio a member of such State committee. The ex officio members of the county and State committees shall be in addition to the number of members of such committees hereinbefore specified. The Secretary shall make such regulations as are necessary relating to the selection and exercise of the functions of the respective committees, and to the administration, through such committees, of such programs. In carrying out the provisions of this section, the Secretary—shall, as far as practicable, protect the interests of tenants and sharecroppers; is authorized to utilize the agricultural extension service and other approved agencies; shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing Acts of Congress and as will tend to promote efficient methods of marketing and distribution; shall not have power to acquire any land or any right or interest therein; shall, in every practicable manner, protect the interests of small producers; and shall in every practical way encourage and provide for soil-conserving and soil-rebuilding practices rather than the growing of soil-depleting crops. Rules and regulations governing payments or grants under this subsection shall be as simple and direct as possible, and, wherever practicable, they shall be classified on two bases: (a) Soil-depleting crops and practices, (b) soil-building crops and practices.

Notwithstanding any other provision of law, in making available conservation materials consisting of seeds, seed inoculants, fertilizers, liming and other soil-conditioning materials, trees, or plants, or in making available soil-conserving or soil-building services, to agricultural producers under this subsection, the Secretary may make payments, in advance of determination of performance by the producers, to persons who fill purchase orders covering approved conservation materials or covering soil-conserving or soil-building services, furnished to producers [at not to exceed a fair price fixed in accordance with regulations to be prescribed by the Secretary], or who render services to the Secretary in delivering to producers approved conservation materials, for the carrying out, by the producers, of soil-building or soil-conserving practices approved by the Secretary. *The price at which purchase orders for any conservation materials or services are filled may be limited to a fair price fixed in accordance with regulations prescribed by the Secretary.*

Appropriations are hereby authorized for the purchase in advance of the program year for which the appropriation is made of seeds, fertilizers, lime, trees, or any other farming materials or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out farming practices approved by the Secretary in programs under this Act; for the reimbursement of any Federal, State, or local government agency for fertilizers, seeds, lime, trees, or other farming materials, or any soil-terracing services, furnished by such agency; and for the payment of all expenses necessary in making such grants, including all or part of the costs incident to the delivery thereof.

* * * * * * *

SEC. 15. To enable the Secretary of Agriculture to carry out the purposes of sections 7 and 8 there is hereby authorized to be appropriated for any fiscal year not exceeding $500,000,000.

The funds available for payments (after allowing for estimated administrative expenses, and not to exceed 5 per centum for payments with respect to range lands, noncrop pasture lands, and naval stores) shall be allocated among the commodities produced with respect to which payments or grants are to be computed. In allocating funds among the commodities the Secretary shall take into consideration and give equal weight to (1) the average acreages planted to the various commodities (including rotation pasture), for the 10 years 1928 to 1937, adjusted for abnormal weather and other conditions, including acreage diverted from production under the agricultural adjustment and soil conservation programs; (2) the value at parity prices of the production from the allotted acreages of the various commodities for the year with respect to which the payment is made; (3) the average acreage planted to the various commodities during the 10 years 1928 to 1937, including the acreage diverted from production under the agricultural adjustment and soil conservation programs, in excess of the allotted acreage for the year with respect to which the payment is made; and (4) the value based on average prices for the preceding 10 years of the production of the excess acreage determined under item (3). The rate of payment used in making payments to the producers of each commodity shall be such that the estimated payments with respect to such commodity shall equal the amount of funds allocated to such commodity as herein provided. For the purpose of allocating funds and computing payments or grants the Secretary is authorized to consider as a commodity a group of commodities or a regional or market classification of a commodity. For the purpose of computing payments or grants, the Secretary is authorized to use funds allocated to two or more commodities produced on farms of a designated regional or other classification to compute payments with respect to one of such commodities on such farms, and to use funds, in an amount equal to the estimated payments which would be made in any county, for making payments pursuant to a special program under section 8 approved by the Secretary for such county: *Provided*, That farm acreage allotments shall be made for wheat in 1938, but in determining compliance wheat shall be considered in the group with other crops for which special acreage allotments are not made.

Notwithstanding the foregoing provisions of this section and the provisions of section 7 (g), programs of soil building practices and soil- and water-conserving practices shall be based on a distribution of the funds available for payments and grants among the several States in accordance with their conservation needs, as determined by the Secretary, except that the proportion allocated to any State shall not be reduced by more than 15 per centum from the distribution of such funds for the next preceding program year In carrying out such programs, the Secretary shall give particular consideration to conservation problems on farm lands diverted from crops under acreage allotment programs.

·SUPPLEMENTAL VIEWS OF THE MAJORITY

I. Basic Commodities

The chief and basic recommendation in this report is that for 1 year through 1955, support prices for the basic commodities be continued at a minimum of 90 percent.

Reasons for this recommendation are set forth below:

A MORAL OBLIGATION

1. As recently as 1952, only 2 years ago, farmers were urged to increase their overall production by 6 percent in order to meet the critical food and fiber needs here and abroad, arising from warfare in Korea.

Specifically the United States 1952 production goals announced by the Secretary of Agriculture, with comparisons, are shown in the following table:

Table 1.—*United States 1952 production goals with comparisons*

Crop	Unit	Production			Percent 1952 goal is of 1951
		1950 [1]	1951 [1]	1952 goals	
Intertilled:					
Corn	Million bushels	3,058	2,941	3,375	115
Sorghum, grain	do	233	159	205	129
Soybeans, beans	do	299	281	276	98
Cotton	Million running bales	9.9	15.2	16.0	105
Potatoes	Million bushels	430	326	350	107
Sweetpotatoes	do	50	28	46	164
Dry edible beans (cleaned)	Million 100-pound bags	15	16	16	100
Truck crops:					
Fresh market (25)	Thousand tons	9,073	8,572	[2] 8,800	103
Processing (11)	do	5,303	7,506	[2] 6,383	85
Close-sown:					
Oats	Million bushels	1,410	1,316	1,307	99
Barley	do	304	255	290	114
Wheat, all	do	1,019	987	1,165	118
Rye	do	21	21	22	105
Flaxseed	do	40	34	38	112
Rice, rough	Million 100-pound bags	39	44	42	95
Hay:					
All	Million tons	102	108	105	97
Tame	do	90	96	93	97

[1] BAE Annual Summary, December 1951.
[2] Includes an assumed production for some vegetables for which no goals will be set. Separate announcements have been made of vegetable goals by types.

On July 1, 1952, the United States carryover of wheat was 256 million bushels; on August 1, 1952, the cotton carryover was 2,789,000 bales; on October 1, 1952, the carryover of corn was 487 million bushels, while the carryover of food fats and oils, on October 1, 1952, was 857 million pounds.

These carryovers were not excessive. They appeared under the conditions that existed at that time, with hostilities underway in Korea, to have fully justified the production goals shown in the table above, which indicates that a substantial expansion in the acreage of corn, wheat, cotton, and many other crops was requested of farmers by the Government of the United States.

A program to curtail production while we were engaged in war would have been totally unacceptable to all Americans.

Suppliers of military goods were provided with cost-plus contracts to protect their financial position, and certificates of necessity authorizing accelerated depreciation were issued by our Government in order to stimulate production of war goods, electric power, railroad equipment, and other lines of business and industry.

These devices were not made available to farmers. Nevertheless, they increased their production expenses, often went into debt, and expanded their output, responding patriotically to the requests of their Government for all-out production of needed food and fibers. Farmers assumed, in good faith, a moral obligation on the part of their Government based on the precedent of World War II legislation when wartime support levels were continued under the Steagall amendment for 2 years after the end of the emergency.

Fighting has ceased in Korea after a truce was signed in 1953. A peace treaty has not been signed, and less than 2 years have passed since we were engaged in warfare and the expansion of production by farmers was regarded as a patriotic duty.

Since that time our exports have fallen sharply as nations which had depended on the United States for supplies have cut back their emergency inventory of food and fiber. They have expanded their own production, often with assistance from this country. The result is that substantial surpluses have accumulated in several major lines of farm production. For the crops which normally rely most upon export outlets, this change came quickly.

To continue for at least 1 more year supports at the 90-percent level, employed by authority of Congress during and after World War II and during the Korean warfare, will honor the Nation's moral obligation to farmers. To reduce support prices for these commodities now would, in effect, abrogate an obligation, and just as significantly, demonstrate a lack of reasonable, confident patience. It is simply impossible for farmers to adjust production patterns quickly or precisely.

Congress has insisted upon treating suppliers of other classes of war materials in a fair manner. Now, it must make certain that it is not placed in a position of treating one class of citizens—farmers—less fairly and less generously than other groups.

SCHEDULE 8.—*Commodity Stabilization Service, Commodity Credit Corporation—Analysis of program results from Oct. 17, 1933, through May 31, 1954* [1]

[Realized gains and losses (−)]

Program and commodity	Oct. 17, 1933, through June 30, 1941	July 1, 1941, through June 30, 1946	July 1, 1946, through June 30, 1950	Fiscal year ended June 30—			Fiscal year 1954 through May 31, 1954	Oct. 17, 1933, through May 31, 1954
				1951	1952	1953		
Price-support program: [1]								
Basic commodities:								
Corn	−$20,078,488	−$14,336,569	−$17,003,844	−$748,839	$1,783,916	−$20,526,523	−$58,827,234	−$129,737,581
Cotton	−27,401,798	218,328,306	48,587,399	28,938,218	148,924	−381,572	−908,895	267,310,582
Cotton, Puerto Rican		−126,011	−4,187					−130,198
Cotton, export differential [2]		−27,651,360	−13,709,858					−41,361,218
Cotton-rubber barter		11,055,451						11,055,451
Peanuts			−66,417,360	−14,584,837	−8,670,873	−2,975,881	−21,048,453	−113,697,404
Rice			−1,291,994	53,071	57,271	−277,861	407,676	−1,051,837
Tobacco	−2,107,589	7,074,300	378,256	71,450	−1,014,923	−2,759,676	242,747	1,884,565
Wheat	−6,199,460	−11,775,173	−31,530,327	−19,013,932	−7,722,262	−18,886,296	−29,884,411	−125,011,861
Total	−55,787,335	182,568,944	−80,991,915	−5,284,869	−15,417,947	−45,807,809	−110,018,570	−130,739,501
Designated nonbasic commodities:								
Milk and butterfat:								
Butter			−4,111,861	−44,216,443	41,571	−456,492	−22,330,484	−71,073,709
Cheese			−1,031,078	−24,040,464	31,405	14,708	−8,408,190	−33,433,619
Milk, dried			−14,066,310	−42,707,738	−1,183,459	−4,798,735	−35,832,537	−98,588,779
Honey			−874,470	−1,499	107	4,924	16,158	−854,780
Potatoes, Irish [3]		−25,197,222	−389,303,437	−63,437,281	−85,459	−73,658	−37,132	−478,134,189
Tung oil			−311,561	233,811	−1,154	−451	−1,784	−81,139
Wool	−176	−15,834,163	−76,449,116	142,596	−86,610	−15,290	86,227	−92,156,532
Total	−176	−41,031,385	−486,147,833	−174,027,018	−1,283,599	−5,324,994	−66,507,742	−774,322,747
Other nonbasic commodities:								
Barley		−40,019	−3,230,613	−1,790,903	−2,807,078	−2,195,112	−1,074,826	−11,138,551
Beans, dry edible		−179,753	−876,176	−11,746,232	−15,429,183	−6,777,410	−6,199,547	−41,208,301
Castor beans		−171,224	31					−171,193
Cotton, American-Egyptian		−538,573	43,598	14,358	175,206	294,665	38,303	27,557
Cottonseed and products			−597,728	5,506,631	2,686,612	7,701,799	−14,557,193	740,121
Eggs [4]		−224,002	−79,808,061	−76,055,947	−29,368,028	−4,256,139	90,951	−189,621,226
Flax fiber			−397,058	−55				−397,113
Flaxseed and linseed oil		−22,209	−2,558,121	−57,520,995	−4,683,190	−1,422,997	−43,508,812	−109,716,324
Fruit, dried		−109,489	−14,818,291	46,315	−855			−14,882,320
Grain sorghum		437,456	−14,094,985	−22,644,554	31,638	874,126	−752,364	−36,148,683
Grapefruit juice			−1,732,374					−1,732,374

See footnotes at end of table, p. 25.

SCHEDULE 8.—*Commodity Stabilization Service, Commodity Credit Corporation—Analysis of program results from Oct. 17, 1933, through May 31, 1954* [1]—Continued

[Realized gains and losses (−)]

Program and commodity	Oct. 17, 1933, through June 30, 1941	July 1, 1941, through June 30, 1946	July 1, 1946, through June 30, 1950	Fiscal year ended June 30—			Fiscal year 1954 through May 31, 1954	Oct. 17, 1933, through May 31, 1954
				1951	1952	1953		
Price-support program—Continued								
Other nonbasic commodities—Continued								
Hemp and hemp fiber		−$20, 201, 375	−$1, 256, 023	$21	−$1, 778			−$21, 459, 155
Hops	−$162, 036	−792, 164						−954, 200
Naval stores	−4, 435, 579	5, 997, 861	−977, 885	−1, 974, 111	3, 876	$30, 253	$8, 693	−1, 346, 892
Oats			−455, 666	15, 238	−738, 889	−194, 938	−3, 716, 444	−5, 090, 699
Olive oil						−170	−168, 672	−168, 842
Peas, dry edible		−3, 012	−658, 012	−227, 726	−655	−31		−889, 436
Pecans		−3, 751						−3, 751
Rye	−4, 575	60, 751	−210, 464	−34, 759	18, 599	7, 947	−39, 868	−202, 369
Seeds		−148, 193	−433, 434	295, 452	−537, 879	−4, 050, 655	−17, 629, 137	−22, 503, 846
Soybeans			4, 526, 337	−139, 442	1, 574	−24, 893	−653, 086	3, 710, 490
Sugar, Puerto Rican and Virgin Island			23, 830					23, 830
Sugar beets			−16, 517, 269					−16, 517, 269
Sweetpotatoes			−134, 648	−773				−135, 421
Turkeys			40, 255	−29, 185				11, 070
Vegetables, canned		−6, 888	18, 830					11, 942
Total	−4, 602, 190	−15, 944, 584	−134, 103, 927	−166, 286, 667	−50, 650, 030	−10, 013, 555	−88, 162, 002	−469, 762, 955
Total price support	−60, 389, 701	125, 592, 975	−701, 243, 675	−345, 598, 554	−67, 351, 576	−61, 146, 358	−264, 688, 314	−1, 374, 825, 203
Supply program: [1] [5]								
Cotton and linters		1, 592, 551	283, 648					1, 876, 199
Grains and seeds		23, 969, 000	50, 416, 902	722, 558	437, 204	405, 837	−235, 710	75, 715, 791
Oils (bulk)		29, 937	830, 050	42, 136	6, 020	9, 194	−26	917, 311
Tobacco		4, 179, 335	588, 749					4, 768, 084
General commodities purchase [6]			186, 240, 037	−1, 551, 484	−195, 564	1, 314, 667	1, 682, 295	187, 489, 951
Processed and packaged commodities [7]			38, 800, 398	118, 459	162, 193	23, 559	324, 926	39, 429, 535
Sugar, Puerto Rican raw			37, 157	−567		9, 439	13, 702	59, 731
Other		−3, 120, 517	−296, 718	3, 185				−3, 414, 050
Total supply program		26, 650, 306	276, 900, 223	−665, 713	409, 853	1, 762, 696	1, 785, 187	306, 842, 552
Foreign purchase program: [5]								
Cotton		5, 439, 464	456, 271	2, 617	−2, 617			5, 895, 735
Fats and oils		22, 543, 441	16, 412, 134	−37, 417	−2, 550			38, 915, 608
Foodstuffs		4, 620, 232	1, 035, 731	17, 755	9, 770	−2, 616	15, 867	5, 696, 739

Other		−274, 627	21, 191	24, 318	53, 378			−175, 740
Total foreign purchase		32, 328, 510	17, 925, 327	7, 273	57, 981	−2, 616	15, 867	50, 332, 342
Emergency feed program:								
Corn							−11, 699, 229	−11, 699, 229
Cottonseed meal							−17, 304, 459	−17, 304, 459
Oats							−3, 562, 042	−3, 562, 042
Wheat							−1, 689, 397	−1, 689, 397
Total emergency feed program							−34, 255, 127	−34, 255, 127
Commodity export program:								
Cotton [9]		−7, 098, 694	−5, 436, 235	−3, 729	1, 494			−12, 537, 164
Wheat		−1, 209, 445	−618				−11, 002, 431	−12, 212, 494
Total commodity export		−8, 308, 139	−5, 436, 853	−3, 729	1, 494		−11, 002, 431	−24, 749, 658
Storage facilities program		−10, 087, 438	57, 441	−498, 980	−1, 628, 947	121, 488	231, 937	−11, 804, 499
Accounts and notes receivable (chargeoffs)		11, 134	−888, 164	−454, 137	−196, 247	−253, 682	−420, 497	−2, 201, 593
Total (excluding wartime consumer subsidy costs) [10]	−60, 389, 701	166, 187, 348	−412, 685, 701	−347, 213, 840	−68, 707, 442	−59, 518, 472	−308, 333, 378	−1, 090, 661, 186
Wartime consumer subsidy program [11]		−2, 130, 581, 589	28, 511, 719	−258, 372	266, 423	74, 623	−97, 891	−2, 102, 085, 087
Grand total	−60, 389, 701	−1, 964, 394, 241	−384, 173, 982	−347, 472, 212	−68, 441, 019	−59, 443, 849	−308, 431, 269	−3, 192, 746, 273

[1] Allocation of losses and gains as between "Price support program" and "Supply program" for the period prior to the fiscal year 1947 was made on the basis of an analysis completed in April 1949. Since accounting records maintained prior to July 1, 1946, did not provide for this segregation, it was necessary to analyze program results in detail and in some cases make an estimate of the distribution between "Price support" and "Supply" of the total operating result as shown by the accounting records. This analysis was based on all known factors concerning the operations with respect to each commodity.

[2] Includes export differential on owned or pooled cotton only. Differential on exporters' cotton included under "Commodity export program."

[3] Includes price support loss of $2,829,639 on the 1943 and 1944 potato programs, which was formerly included under the general commodities purchase program.

[4] Includes price support loss of $11,956,386 on the 1944 egg program, which was formerly included under the general commodities purchase program.

[5] Portion of overall supply and foreign purchase program effective July 1, 1952.

[6] Includes gain of $178,697,602 carried as "Special reserve—General commodities purchase program" as of June 30, 1946, and transferred to income in May 1947. Also see footnotes 3 and 4.

[7] During the period July 1, 1946, through June 30, 1949, activity under this program was reported as general supply program.

[8] Insofar as possible, operating results have been retroactively classified to correspond with current budgetary programs. In some instances, the accounts maintained prior to July 1, 1946, did not make possible a precise segregation of the results of foreign procurement operations.

[9] Includes export differential on exporters' cotton only.

[10] Includes losses totaling $56,239,432 on price-support commodities disposed of in accordance with Public Laws 389 and 393, 80th Cong.; i. e., transferred to foreign assistance outlets at a price equal to price of a quantity of wheat having equivalent caloric value. The Corporation was reimbursed for these losses by the Secretary of the Treasury.

[11] Subsidy losses on corn for alcohol, wheat for alcohol, and wheat for feed are included on an estimated basis. For detail of subsidy costs by commodities by fiscal years, see report of financial condition and operations as of June 30, 1949.

LOWER SUPPORTS WILL STIMULATE PRODUCTION

2. Lowering price supports at this time, when farmers are beginning to make real progress in adjusting their production downward in cooperation with governmental programs, would be unwise. It would serve to defeat the very programs which this Congress has authorized, by which agriculture can adjust its production in an orderly fashion in line with effective demand.

A common characteristic of farm depressions, when surpluses develop and market prices weaken, is that farmers, unless provided a program by which they can cooperate effectively, feel forced to offset lower unit prices by increasing production. This is, to be sure, the course of desperation, and it tends to weaken their economic position, as well as to damage the national economy as a whole.

It marks the chief difference between the response of business and industry, which are relatively well organized, to lowered demand and a weakening price structure as compared with agriculture. The difference largely arises out of the fact that business and industry are for the most part substantial employers and they reduce payrolls, while agriculture is still predominantly family-type enterprise where the labor of the farmer and his family is not treated as payroll-cost items. It is expendable.

Programs enabling farmers to adjust their production in line with reduced demand, reflecting particularly foreign demand for the big export crops such as wheat, cotton, and tobacco, require not only patience but understanding and an appreciation of the long history of agrarian struggle which led to their establishment.

Time after time in the past, we have had farm depressions and no means of dealing with them except to permit prices to decline, leading ultimately to bankruptcy, foreclosure, and squeezing from among the farmers on the land a substantial group, forcing them into other lines of activity in search of a livelihood. These forced marches need not be revived.

For many years agriculture has sought equality with other groups in our economy. One of the basic demands throughout these years of education and agitation has been recognition of the need for a partnership between the Government on the one hand and the millions of individual farmers on the other, to execute needed production-adjustment programs beyond the ability of farmers to undertake. We now have the fundamentals of such a program, often referred to as "controls" but, instead, actually the means whereby these millions of individual farmers may proceed together in an organized, orderly program of production curtailment so as to bring their production in line with effective demand.

Cooperation in these programs by tobacco, wheat, cotton, and other producers is proving to be of a high order this year, the first year it has been tried on any substantial scale, except for tobacco, since the more rudimentary approaches prior to World War II.

These programs will doubtless be needed in 1955 and in some subsequent years. The aggregate farm productive capacity of the United States is great, one of our mightiest assets in wartime, but, in effect, a machine which must be adjusted to the requirements for its productivity in times such as these.

These programs, the byproduct of many years of earnest search by farmers, their organizations, Members of Congress, and devoted servants of agriculture in the Federal Government and the States, are still relatively crude compared with the instrumentalities available for adjustment of supply to demand which characterize many other segments of our economic life.

These adjustment programs require not only wise and sympathetic administration but also a high degree of patience on the part of the Members of Congress who must authorize their very establishment and continued support.

It may prove to be a fact that they cannot succeed. But a reasonable trial must be provided. In that connection, it is axiomatic that these programs of production curtailment will succeed far better if unit prices are maintained by price supports than if supports that really determine the unit prices are lowered at the very same time that production is curtailed. Lower supports will stimulate production.

Thus, support prices at 90 percent of parity will serve as a tool, a major tool, to assist farmers in an orderly retreat from overproduction once critical war or other needs are met. They will help farm families to stay on the farm, assist in maintaining "take-home pay" for farmers, and provide a degree of stability which all too often has been denied to the agricultural segment of our economy.

CCC GAINS AND LOSSES

3. Support prices at 90 percent of parity will help farmers weather the present and perhaps temporary crisis of surpluses and reduced exports. To cut, and thus to weaken further, the farm-commodity price structure represents unwarranted defeatism.

In the past, farm depressions while severe for many farmers, communities, areas, and regions, were frequently the product of relatively small surpluses. These surpluses, often representing an excess of only 3 to 10 percent of demand, were permitted to destroy the stability of the farm-price structure, to reduce tragically farm income without conferring commensurate advantages to other groups of our population. Consumers gained no lasting advantages from these situations.

The present surpluses, while substantial, do not justify the birth and nurture of great and alarmist fears. One bad crop year, after a long cycle of unusually favorable weather taking the Nation as a whole, could place us in a deficit position. Then there would be genuine cause for alarm.

While the costs to the Government in connection with these surpluses are important, they represent no burden of overwhelming proportions. The cost is small compared with our military budget or foreign aid or compared with the potentialities of this as a great and growing nation, its population on the increase, its economy confidently expanding in hopes of meeting the requirements of the future.

Since its creation, the Commodity Credit Corporation, the chief instrumentality through which the price-support programs have been administered, has been authorized by Congress to borrow $8.5 billion. This represents the total financial authority granted over a period of approximately 21 years.

Realized losses of the Corporation from October 17, 1933, through May 31, 1954, exclusive of wartime consumer-subsidy programs, are shown in the most recent report of its financial conditions and operations as of May 31, 1954, to be $1,090,661,186.

Because there has been widespread misunderstanding and confusion with respect to gains and losses of this Corporation, there is contained in this report, marked as "Table 2," an analysis of program results from October 17, 1933, through May 31, 1954. This table, which is listed as schedule 8 on page 23 of the Corporation's most recent official report, shows results of operations from the inception of the Corporation in 1933 to the date of the statement, May 31, 1954, classified by program.

Program results have been summarized into time periods in this table as follows: (1) From inception of Corporation in October 1933 to June 30, 1941; (2) the period from July 1, 1941, through June 30, 1946; (3) the period from July 1, 1946, through June 30, 1950; and (4) for each fiscal year thereafter.

While the total authority to borrow by CCC is frequently referred to in terms which connote a dead and permanent loss to our Nation, the facts are that, of the total borrowing authority of the Commodity Credit Corporation, most of the funds are invested in an inventory of commodities. These may increase in value. In the past, full inventory value has been frequently realized, and in some instances substantial profits have been obtained.

These inventories are, in effect, a stockpile for peace or war, and the President has wisely recommended legislation for a "set-aside" program which this bill authorizes and which we urge be enacted. This set-aside will recognize the principle of stockpiling food along with many items we may require in an emergency for the Nation's protection.

The rate of loss by the Commodity Credit Corporation can best be reduced by encouraging farmers to utilize fully the programs now being made available to them for production adjustment and not by cutting the level of price supports. Reducing price-support levels will have the immediate effect of reducing substantially the value of CCC inventories without any assurance that the rate of future acquisition of inventory by CCC will be curtailed as greatly as will prove to be the case if 90-percent support prices are continued.

Should a new world crisis arise tomorrow or within a year or two, the CCC inventories would be counted a national asset, a sinew of war for us and our allies, a cherished possession. Similarly, should drought or other disaster in the wake of adverse weather come to plague us, the reserves on hand would greatly benefit consumers.

The full cost of these reserves, while they have provided valued assistance for agriculture, should not be charged to agriculture alone because they have served to provide security for all consumers both here and abroad. They have been, in effect, insurance of supply of the elemental requirements for millions of people at a very low premium cost.

CEILING PRICES

Account should be taken of the fact that in times of scarcity such as occurred during World War II, in the postwar period, and for a time during the warfare in Korea, ceiling prices were placed on many commodities produced by farmers in the interest of consumers. Thus the advantages which might have occurred as the byproduct of a temporary scarcity were curbed so far as realization by farmers was concerned. Exports were limited by license so that demand was restrained.

Now with surpluses arising, temporarily at least, the patience and forbearance of producers of these scarce commodities at times of crisis when prices threatened to go beyond the reach of consumers should not be forgotten.

We are dealing, therefore, with a situation which represents one of the extreme swings between scarcity on the one hand and surpluses or abundance on the other. Extreme action should be avoided not only in terms of simple justice and equity, so far as farmere are concerned, but in the interest of consumers and the public as a whole. Stability should be the goal emphasized.

EFFECT ON NATIONAL ECONOMY

4. The contribution which price supports have made to stability in our national economy is substantial and deserves far more detailed treatment than is possible here.

Earlier this year, the report of the Joint Committee on the Economic Report on the January 1954 Economic Report of the President took account of the unfavorable trends in real farm income and pointed to these as "a serious threat to an expanding and stable economy."

Significantly, this thoughtful report went on to say in words which all who have the good of the Nation at heart might well heed:

> In spite of the fact that agricultural income has fallen, there is reason to believe that the proposals contained in the economic report may actually place the farm family in a worse position in the short run. Whatever the merits of flexible supports and modern parity may or may not be as a long-run program it is questionable whether their contribution at this time will act to sustain farm income in the months immediately ahead when the threat to our economic stability is so generally recognized. On the contrary, it seems more likely that the proposed shift to "modernized parity" at this particular time would be an unnecessary disrupting factor.

DECLINE IN FARM INCOME

In the past 2 years, net farm income has declined 13 percent. Many other sectors of our economy have meantime reached new heights of prosperity. The loss of farm income, already felt by some segments of business and industry, will ultimately be reflected throughout our economy. Except for price supports and other programs, including surplus remova land the important marketing-agreement programs, farm income in 1953 would have been approximately $3 billion lower. Thus, price supports assisted farmers to maintain a far stronger position than would have been the case in the absence of price supports, and thereby to contribute more to a healthy national economy.

A study by the House Committee on Agriculture indicates that the program of price supports, surplus removal, and marketing agreements covered 70 percent of all crops produced and livestock and livestock products in 1953. It concluded that about 90 to 95 percent of all farmers producing crops and livestock for market were directly or indirectly benefited by existing price stabilization and marketing agreement programs that prevented further impairment of agricultural income.

Realized net income of farmers in 1952 was $13,499 million and in 1953 was $12,802 million. This represents a considerable decline since 1949 when the flexible-support program was enacted into law and its effective date then postponed. In 1947, farmers realized net income of $16,774 million, and in 1949, $15,605 million.

The 1949 act contemplated a sliding scale of supports ranging from 75 to 90 percent of parity for the basic commodities and, to that extent, represented an improvement over the 1948 act which contemplated a sliding scale varying from 60 to 90 percent.

But however much the support level is lowered, it represents a reduction in farm prices and income. The result: Net realized income in 1955 or 1956 may decline below $10 billion. That result, which would deserve to be called a farm depression, is preventable if 90-percent supports are continued.

Unless action is taken at this session of Congress, the 1949 Agricultural Act will become effective in 1955, replacing the 90 percent of parity price supports for the basic crops by a system of flexible supports permitting support levels to drop to 75 percent of parity.

Until every other avenue of assistance has been tried and found wanting, we are not justified in proceeding with a program which is calculated not simply to reduce support levels but to lower farm prices. A reduction in prices to farmers of 10 to 20 percent can be brought about through lowering support levels. This, taken together with a smaller volume to market because of reduced production, may well move net farm income well below $10 billion to even more disastrous levels.

SUPPORTS BOLSTER NATIONAL PROSPERITY

Such a decline in farm income will be a severe blow to the Nation's economy. The recent decline in farm prices and in net income is symptomatic of the agricultural dislocation that touched off the great industrial-agricultural depressions of 1920–21 and 1929–32.

Farmers find themselves caught in a typical cost-price squeeze. Rising distribution costs have cut down the farmer's share of the consumer's dollar, and inflexible or rising prices of goods farmers buy have cut down farm prices and income.

Except for the price-support programs which, step by step, have been built into our agricultural policies over the past 20 years, particularly during the last decade, several incipient recessions would have gone deeply and pulled downward segments of the prevailing industrial prosperity.

A reduction of price supports would mean lowering the income level of cotton and grain producers which, in turn, would pull down the level of income from livestock and livestock products. Since a generally lower level of farm prices does not produce an increase in consumption, the net result of drifting to a lower support level would be to jeopardize a substantial portion of: (*a*) Farm cash income in proportion to reduction in supports; (*b*) the value of agricultural assets; (*c*) the level of rural and urban business depending on the farm market; and (*d*) substantial segments of industrial employment.

Since the end of World War II we have lived in fear of a repetition of the deflation that followed World War I. We have sought to avoid the kind of deflation that first struck livestock producers and then wheat and cotton producers and the rest of agriculture as the 1919–20 postwar inflation was permitted to turn into deflation and unemployment

For that reason, most thoughtful students of our national economy have emphasized the significance of price supports in agriculture in terms of its contribution to the national economic policy No segment of our society gains from a depression in agriculture Instead, it is frequently said that depressions are "farmbred and farmled," that prompt action on the farm economic front will prevent the contagion of depression

WILL CONSUMERS BENEFIT?

Careful estimates indicate that a reduction of 10 to 20 percent in prices to farmers would reduce prices to consumers for farm production less than 3 percent, perhaps even less than that.

This is because most of the processing and marketing costs involved in converting the farmer's product into goods ready for sale to consumers are highly inflexible, with the proportion of the consumer's dollar realized by farmers having moved down steadily for several years. It is now approximately 45 percent with considerable variation by commodities, with the percentage of the consumer's dollar realized by wheat, cotton, and tobacco farmers being especially low.

The Marketing and Transportation Situation, issued May 13, 1954, by the Agricultural Marketing Service of the United States Department of Agriculture, states on its cover page that—

> The bill for marketing farm-produced food products in 1953 was more than three times that of 1932. This increase resulted from an expansion in the quantity of food marketed, an extension in marketing services per unit of product handled, and advances in costs per unit of labor, plant, equipment, mechanical power, supplies, etc. Profits, too, were larger.
>
> Direct labor costs, the largest single item, were more than four times larger in 1953 than in 1932. The number of workers increased nearly three-fifths and hourly earnings more than tripled. Labor costs accounted for about 53 percent of the marketing bill in 1952 and 1953 compared with an average of 47 percent in 1935–39.

The same publication states on page 3, in reviewing recent developments, that—

> Prices received by farmers for food products averaged slightly lower in January–March than a year earlier. Most of this decrease was offset by a small increase in marketing charges. Consequently, the retail cost of the "market basket" of food products produced on farms in the United States was about the same as in the first quarter of 1953.
>
> The small changes in marketing charges and prices received by farmers were not enough to affect significantly the farmer's share of the consumer's food dollar. In January–March the share was 45 cents, the same as in each quarter of 1953. This was smaller than in any other quarter of the postwar period but larger than the annual average share received in any of the years between World War I and World War II.

It is frequently and erroneously asserted that the costs of food and fiber to consumers are substantially higher than they would otherwise be because of price supports.

The truth can be established by examining closely two tables, which are reproduced below as table 3 and table 4 and which were obtained from the same publication, on pages 32 and 33. They make clear that the farmer's share of the consumer's dollar is declining.

These tables refer to the market basket. This market basket contains quantities of farm-produced food products equal to the average quantities purchased for consumption at home by urban wage-earner and clerical-worker families in 1952. The retail cost of all foods bought per family is more than the retail cost of the market basket of farm foods, which does not include imported foods, fishery products, or other foods of nonfarm origin, and does not include costs of meals purchased in eating places.

The first of these two tables (table 3) shows the retail cost and farm value for specified periods for all of the principal food products produced on United States farms.

TABLE 3.—*Farm food products: Retail cost and farm value, January–March 1954, October–December 1953, January–March 1953, and 1947–49 average* [1]

Product	Retail unit	Retail cost						Net farm value [2]					
		January–March 1954 [3]	October–December 1953	January–March 1953	1947–49 average	Percentage change January–March 1954 from—		January–March 1954 [3]	October–December 1953	January–March 1953	1947–49 average	Percentage change January–March 1954 from—	
						October–December 1953	January–March 1953					October–December 1953	January–March 1953
						Percent	*Percent*					*Percent*	*Percent*
Market basket	Average quantities purchased per urban wage earner and clerical-worker family in 1952.	$996.89	$997.71	$999.19	$954.76	[4]	[4]	$445.66	[5] $445.45	$453.44	$467.91	[4]	−2
Meat products		269.26	260.73	259.98	261.20	+3	+4	174.18	[5] 161.76	159.84	176.11	+8	+9
Dairy products		186.64	188.69	189.57	168.37	−1	−2	88.05	[5] 91.93	95.35	90.88	−4	−8
Poultry and eggs		107.59	118.09	113.20	116.87	−9	−5	71.45	80.69	77.49	80.53	−11	−8
Bakery and cereal products:													
All ingredients		146.47	145.42	142.16	121.94	+1	+3	32.82	32.40	32.03	33.16	+1	+2
Grain		------	------	------	------	------	------	24.46	24.09	24.56	24.40	+2	[4]
All fruits and vegetables		201.47	199.95	212.08	195.26	+1	−5	56.66	[5] 56.49	67.55	61.28	[4]	−16
Fresh fruits and vegetables		112.65	110.06	123.55	103.57	+2	−9	38.90	38.55	49.93	41.85	+1	−22
Fresh vegetables		57.66	55.41	68.34	53.14	+4	−16	18.39	18.42	28.96	23.77	[4]	−36
Processed fruits and vegetables		88.82	89.89	88.54	91.69	−1	[4]	17.76	[5] 17.94	17.62	19.43	−1	+1
Fats and oils		43.92	43.36	40.64	52.25	+1	+8	15.07	14.79	13.71	18.92	+2	+10
Miscellaneous products		41.54	41.47	41.56	38.87	[4]	[4]	7.43	7.39	7.47	7.03	+1	−1
		Cents	*Cents*	*Cents*	*Cents*			*Cents*	*Cents*	*Cents*	*Cents*		
Beef (choice grade)	Pound	68.2	69.3	73.3	68.5	−2	−7	43.4	[5] 45.7	45.5	48.5	−5	−5
Pork (excluding lard)	do	57.7	53.7	49.2	52.8	+7	+17	40.8	34.7	32.2	35.2	+18	+27
Butter	do	79.0	79.5	79.7	79.4	−1	−1	51.9	53.5	54.5	57.4	−3	−5
Cheese, American processed	do	59.4	59.5	60.3	52.7	[4]	−1	29.5	[5] 30.6	32.3	32.0	−4	−9
Evaporated milk	14½ ounce can	14.3	14.3	15.0	13.7	0	−5	6.3	6.6	7.1	7.1	−5	−11
Fluid milk	Quart	22.8	23.2	23.1	19.9	−2	−1	10.7	11.2	11.6	10.6	−4	−8
Chickens, frying	Pound	49.1	52.1	54.2	------	−6	−9	29.0	31.4	34.6	------	−8	−16
Eggs	Dozen	62.0	69.9	62.7	66.7	−11	−1	44.9	52.0	45.5	48.0	−14	−1
Bread, white	Pound	17.0	16.8	16.2	13.5	+1	+5	2.7	2.6	2.6	2.6	+4	+4
Crackers, soda	do	27.2	27.2	25.8	------	0	+5	4.1	4.0	4.0	------	+2	+2
Cornflakes	12 ounces	21.9	21.8	21.7	17.0	[4]	+1	3.2	3.1	3.7	3.2	+3	−14
Corn meal	Pound	12.5	12.5	12.6	11.8	0	−1	3.3	3.2	4.0	3.6	+3	−18
Flour, white	5 pounds	53.5	52.5	52.3	48.4	+2	+2	20.4	20.1	20.2	20.5	+1	+1
Rice	Pound	19.7	19.7	19.1	19.2	0	+3	7.7	7.7	9.6	7.8	0	−20

See footnotes at end of table, p. 35.

TABLE 3.—*Farm food products: Retail cost and farm value, January–March 1954, October–December 1953, Hanuary–March 1953, and 1947–49 average* [1]—Continued

Product	Retail unit	Retail cost						Net farm value [2]					
		January–March 1954 [3]	October–December 1953	January–March 1953	1947–49 average	Percentage change January–March 1954 from—		January–March 1954 [3]	October–December 1953	January–March 1953	1947–49 average	Percentage change January–March 1954 from—	
						October–December 1953	January–March 1953					October–December 1953	January–March 1953
		Cents	*Cents*	*Cents*	*Cents*	*Percent*	*Percent*	*Cents*	*Cents*	*Cents*	*Cents*	*Percent*	*Percent*
Rolled oats	20 ounces	18.5	18.4	18.3	16.1	+1	+1	5.2	5.0	5.0	5.4	+4	+4
Apples	Pound	14.7	13.5	14.9	11.3	+9	−1	7.2	6.7	7.3	5.2	+7	−1
Grapefruit	Each	9.8	10.0	10.0	8.7	−2	−2	1.5	2.0	1.8	1.6	−25	−17
Lemons	Pound	18.7	19.6	20.5	17.7	−5	−9	5.4	5.7	5.6	5.7	−5	−4
Oranges	Dozen	46.9	49.3	44.9	46.6	−5	+4	11.8	11.8	11.9	12.6	0	−1
Beans, green	Pound	26.3	21.3	28.0	21.0	+23	−6	11.2	8.9	13.4	9.2	+26	−16
Cabbage	do	7.1	6.8	7.2	6.9	+4	−1	1.4	1.5	1.3	1.9	−7	+8
Carrots	do	12.6	14.0	11.3	11.1	−10	+12	3.0	4.4	3.5	4.2	−32	−14
Lettuce	Head	15.0	15.6	14.7	14.5	−4	+2	6.1	5.6	5.1	6.4	+9	+20
Onions	Pound	6.1	6.2	12.2	8.4	−2	−50	1.1	1.3	6.2	3.7	−15	−82
Potatoes [6]	15 pounds	66.6	68.5	97.1	78.8	−3	−31	16.3	20.3	42.8	38.5	−20	−62
Sweetpotatoes	Pound	13.0	12.1	17.9	11.2	+7	−27	5.2	4.8	8.0	4.7	+8	−35
Tomatoes	do	30.9	25.6	30.6		+21	+1	12.1	8.7	12.2		+39	−1
Peaches, canned	No. 2½ can	33.0	33.2	33.9	31.5	−1	−3	5.2	5.2	6.1	5.3	0	−15
Orange juice, canned	46-ounce can	34.3	35.5	32.1		−3	+7	9.1	9.4	8.3		−3	+10
Corn, canned	No. 303 can	18.8	18.9	19.1	16.7	−1	−2	2.9	2.9	3.0	2.7	0	−3
Peas, canned	do	21.3	21.2	21.4	21.4	(4)	(4)	3.2	3.1	3.1	3.0	+3	+3
Tomatoes, canned	No. 2 can	17.3	17.3	18.3	17.0	0	−5	3.1	3.0	3.3	3.2	+3	−6
Beans with pork, canned	16-ounce can	14.4	14.3	14.3		+1	+1	2.8	2.7	2.7		+4	+4
Orange juice concentrate, frozen	6-ounce can	18.4	21.3	18.4		−14	0	5.5	[5] 6.1	4.7		−10	+17
Strawberries, frozen	12 ounces	37.1	37.2	38.1		(4)	−3	10.0	10.3	9.6		−3	+4
Beans, green, frozen	10 ounces	24.5	24.2	24.3		+1	+1	4.9	4.9	4.8		0	+2
Peas, frozen	do	19.3	[5] 19.2	[5] 19.2		+1	+1	3.3	[5] 3.2	[5] 3.2		+3	+3
Dried prunes	Pound	29.7	29.3	28.6	23.1	+1	+4	10.2	10.3	10.9	8.8	−1	−6
Navy beans	do	17.2	17.2	16.5	19.9	0	+4	8.0	7.5	7.7	9.7	+7	+4
Margarine, colored	do	30.0	29.6	29.6	39.7	+1	+1	9.2	8.8	9.3	12.4	+5	−1
Peanut butter	do	49.2	49.1	49.0		(4)	(4)	19.7	19.4	19.5		+2	+1

Salad dressing	Pint	35.8	34.9	34.2	37.8	+3	+5	8.7	8.8	8.4	10.0	−1	+4
Vegetable shortening	Pound	34.6	34.2	33.3	41.1	+1	+4	11.4	11.6	12.0	15.4	−2	−5
Corn sirup	24 ounces	23.6	23.5	23.5	--------	([4])	([4])	3.7	3.6	3.7	--------	+3	0
Sugar	5 pounds	52.6	52.9	52.6	48.4	−1	0	20.5	20.6	20.2	19.4	([4])	+1

[1] Information concerning the sources of price data and calculations of net farm values are given in the supplement to the July to September 1953 issue of this situation. Product groups include more items than those listed in this table. For example, the meat products group includes lamb, veal, and lower grades of beef in addition to pork and carcass beef of Choice grade.

[2] Gross farm value adjusted to exclude imputed values of byproducts obtained in processing.

[3] Preliminary estimates.

[4] Less than 0.5 percent.

[5] Revised.

[6] See table 14, p. 35, for revised data.

TABLE 4.—*Farm food products: Marketing margin and farmer's share of the retail cost, January–March 1954, October–December 1953, January–March 1953, and 1947–49 average* [1]

Product	Retail unit	Marketing margin [2]: January–March 1954 [3]	Marketing margin: October–December 1953	Marketing margin: January–March 1953	Marketing margin: 1947–49 average	Percentage change January–March 1954 from— October–December 1953	Percentage change January–March 1954 from— January–March 1953	Farmer's share: January–March 1954 [3]	Farmer's share: October–December 1953	Farmer's share: January–March 1953	Farmer's share: 1947–49 average
						Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Market basket	Average quantities purchased per urban wage earner and clerical-worker family in 1952.	$551.23	[4] $552.26	$545.75	$486.85	[5]	+1	45	45	45	49
Meat products		95.08	[4] 98.97	100.14	85.09	−4	−5	65	62	61	67
Dairy products		98.59	[4] 96.76	94.22	77.49	+2	+5	47	49	50	54
Poultry and eggs		36.14	37.40	35.71	36.34	−3	+1	66	68	68	69
Bakery and cereal products:											
All ingredients		113.65	[4] 113.02	110.13	88.78	+1	+3	22	22	23	27
Grain		-------	-------	-------	-------	-------	-------	17	17	17	-------
All fruits and vegetables		144.81	[4] 143.46	144.53	133.98	+1	[5]	28	28	32	31
Fresh fruits and vegetables		73.75	71.54	73.62	61.72	+3	[5]	35	35	40	40
Fresh vegetables		39.27	36.99	39.38	29.37	+6	[5]	32	33	42	45
Processed fruits and vegetables		71.06	[4] 71.95	70.92	72.26	−1	[5]	20	20	20	21
Fats and oils		28.85	28.57	26.93	33.33	+1	+7	34	34	34	36
Miscellaneous products		34.11	34.08	34.09	31.84	[5]	[5]	18	18	18	18
		Cents	*Cents*	*Cents*	*Cents*						
Beef (choice grade)	Pound	24.8	[4] 23.6	27.8	20.0	+5	−11	64	66	62	71
Pork (excluding lard)	do	16.9	19.0	17.0	17.6	−11	−1	71	65	65	67
Butter	do	27.1	26.0	25.2	22.0	+4	+8	66	67	68	72
Cheese, American processed	do	29.9	[4] 28.9	28.0	20.7	+3	+7	50	51	54	61
Evaporated milk	14½-ounce can	8.0	7.7	7.9	6.6	+4	+1	44	46	47	52
Fluid milk	Quart	12.1	12.0	11.5	9.3	+1	+5	47	48	50	53
Chickens, frying	Pound	20.1	20.7	19.6	-------	−3	+3	59	60	64	-------
Eggs	Dozen	17.1	17.9	17.2	18.7	−4	−1	72	74	73	72
Bread, white	Pound	14.3	14.2	13.6	10.9	+1	+5	16	15	16	19
Crackers, soda	do	23.1	23.2	21.8	-------	[5]	+6	15	15	16	-------
Corn flakes	12 ounces	18.7	18.7	18.0	13.8	0	+4	15	14	17	19
Cornmeal	Pound	9.2	9.3	8.6	8.2	−1	+7	26	26	32	31
Flour, white	5 pounds	33.1	32.4	32.1	27.9	+2	+3	38	38	39	42
Rice	Pound	12.0	12.0	9.5	11.4	0	+26	39	39	50	41
Rolled oats	20 ounces	13.3	13.4	[4] 13.3	10.7	−1	0	28	27	27	34
Apples	Pound	7.5	6.8	7.6	6.1	+10	−1	49	50	49	46
Grapefruit	Each	8.3	8.0	8.2	7.1	+4	+1	15	20	18	18
Lemons	Pound	13.3	13.9	14.9	12.0	−4	−11	29	29	27	32

Oranges	Dozen	35.1	37.5	33.0	34.0	−6	+6	25	24	27	27
Beans, green	Pound	15.1	12.4	14.6	11.8	+22	+3	43	42	48	44
Cabbage	do	5.7	5.3	5.9	5.0	+8	−3	20	22	18	28
Carrots	do	9.6	9.6	7.8	6.9	0	+23	24	31	31	38
Lettuce	Head	8.9	10.0	9.6	8.1	−11	−7	41	36	35	44
Onions	Pound	5.0	4.9	6.0	4.7	+2	−17	18	21	51	44
Potatoes [6]	15 pounds	50.3	48.2	54.3	40.3	+4	−7	24	30	44	49
Sweetpotatoes	Pound	7.8	7.3	9.9	6.5	+7	−21	40	40	45	42
Tomatoes	do	18.8	16.9	18.4	----------	+11	+2	39	34	40	----------
Peaches, canned	No. 2½ can	27.8	28.0	27.8	26.2	−1	0	16	16	18	17
Orange juice, canned	46-ounce can	25.2	26.1	23.8	----------	−3	+6	27	26	26	----------
Corn, canned	No. 303 can	15.9	16.0	16.1	14.0	−1	−1	15	15	16	16
Peas, canned	do	18.1	18.1	18.3	18.4	0	−1	15	15	14	14
Tomatoes, canned	No. 2 can	14.2	14.3	15.0	13.8	−1	−5	18	17	18	19
Beans with pork, canned	16-ounce can	11.6	11.6	11.6	----------	0	0	19	19	19	----------
Orange juice concentrate, frozen	6-ounce can	12.9	[4] 15.2	13.7	----------	−15	−6	30	[4] 29	26	----------
Strawberries, frozen	12 ounces	27.1	26.9	28.5	----------	+1	−5	27	28	25	----------
Beans, green, frozen	10 ounces	19.6	19.3	19.5	----------	+2	+1	20	20	20	----------
Peas, frozen	do	16.0	[4] 16.0	[4] 16.0	----------	0	0	17	17	17	----------
Dried prunes	Pound	19.5	19.0	17.7	14.3	+3	+10	34	35	38	38
Navy beans	do	9.2	9.7	8.8	10.2	−5	+5	47	44	47	49
Margarine, colored	do	20.8	20.8	20.3	27.3	0	+2	31	30	31	31
Peanut butter	do	29.5	29.7	29.5	----------	−1	0	40	40	40	----------
Salad dressing	Pint	27.1	26.1	25.8	27.8	+4	+5	24	25	25	26
Vegetable shortening	Pound	23.2	22.6	21.3	25.7	+3	+9	33	34	36	37
Corn sirup	24 ounces	19.9	19.9	19.8	----------	0	+1	16	15	16	----------
Sugar	5 pounds	32.1	32.3	32.4	29.0	−1	−1	39	39	38	40

[1] Information concerning the calculation of the marketing margin and farmer's share are given in the supplement to the July-September 1953 issue of this situation. Product groups include more items than those listed in this table. For example, the meat products group includes lamb, veal, and lower grades of beef in addition to pork and carcass beef of Choice grade.

[2] The marketing margin is the difference between the retail cost and the net farm value, table 11.

[3] Preliminary estimates.

[4] Revised.

[5] Less than 0.5 percent.

[6] See table 14, p. 35, for revised data.

The second table (table 4) deals with the marketing margins and the farmer's share of the retail costs for specified periods, the marketing margin being the difference between the retail price paid by the consumer and the payment to the farmer for equivalent products.

These estimates by the Department of Agriculture of charges made by marketing agencies for assembling, processing, handling, and distributing farm products, indicate that the farmer's share of the consumer's food dollar varies widely as between commodities.

United States consumers get more and better food today with an expenditure of a smaller percentage of their total income than in any other period in history. Other data prepared by economists for the Department of Agriculture show that in 1914, the average factory employee could buy 3½ pounds of bread with 1 hour's earnings; in 1929, he could buy 6.4 pounds with 1 hour's earnings; in 1953, he could buy 10.7 pounds. A table prepared by these economists for other major foods, showing what 1 hour's average factory pay bought in 1914, 1929, and in 1953, is given below as table 5.

TABLE 5

	1914	1929	1953
Round steak ... pounds	0.9	1.2	1.9
Pork chops ... do	1.0	1.5	2.1
Butter ... do	.6	1.0	2.2
Milk ... quarts	2.5	3.9	7.5
Eggs ... dozen	.6	1.1	2.5
Potatoes ... pounds	12.4	17.7	32.6
Oranges ... dozen	------	1.3	3.6
Bacon ... pounds	.8	1.3	2.2
Tomatoes (No. 2 cans)	------	4.4	10.0
Cheese ... pounds	1.0	1.4	2.9

The fact is that the largest reduction in the price of food in comparison with wages has occurred during the years of the development of the present farm programs which have had as their aim parity of income for agriculture and fair play for consumers. It is evident that consumers have gotten their greatest concessions in prices of food and fiber in the time of the growth of farm-income stability.

A 16-ounce loaf of bread sells at an average of 16 cents. The farmer gets 2¼ cents for the total wheat in the loaf. The price a farmer gets for wheat would have to be cut at least 75 cents a bushel to reflect a 1-cent reduction in the cost of a loaf of bread.

A cotton shirt selling for $3.95 contains about 30 cents worth of cotton. Cutting back the price of cotton would mean very little advantage to the buyer of a shirt, but it would be tough indeed for the cotton farmer.

A MATTER OF PRINCIPLE

5. There is an issue of principle, major principle, between those who urge 90-percent price supports and those who favor supports at lower levels, whether such levels are set at 50 percent, 60 percent, 75 percent, or 82½ percent of parity.

The lower-support advocates embrace, knowingly or unknowingly, blind faith in a principle that farmers must suffer low prices before they will curtail output of a commodity which is even temporarily in surplus. These advocates of either low or sliding-scale supports assume a far greater flexibility in the ability of most farmers to shift from one commodity or group of commodities to another commodity or group. They assume too readily that the commodity shifted to will be profitable. They fail to realize the tremendous investment that farmers now must have, to perform efficiently their function.

It is unreasonable to expect farmers to capitalize their operations with equipment enabling them to glide gracefully from one major type of farming to another. It would stimulate overcapitalization. They have been encouraged to become specialists, to devote their resources of energy, intelligence, and capital to the specialized fields of agriculture for which their land or ability is best suited. They have not been frozen into a rigid pattern of production, but the degree of flexibility which was characteristic of agriculture 30 and 40 years ago has substantially declined, while efficiency has increased.

PARITY IS FLEXIBLE

The advocates of low or flexible support prices also ignore a fundamental principle of the parity concept, which is that parity prices for farmers rise or fall as prices vary up or down for the things farmers must buy. This concept of flexibility, as reflected in the parity index, is often little understood or overlooked.

It is true that the prices farmers pay for the goods they require in their business and for their living are relatively inflexible and, over a long period of time, have tended upward with declines rarely recorded.

The low-support advocates have become obsessed all too frequently with a concept which has gained the outward garment of truth only through frequent repetition that 90-percent supports are "high" and "rigid."

There are no segments in our society whose economic fortunes are dependent upon action which we may take who would be willing to accept 90 percent of what has been held to be a fair and reasonable return to farmers. The fact is that 90-percent supports do not guarantee prices at that level; they are often below the support level.

Thus, any careful analysis of the facts and the points of view expressed lead reluctantly to the conclusion that the advocates of lower support prices depend in the final analysis on the rationale of the small but determined group who oppose price supports entirely. This rationale presupposes that farmers forced to leave the land can readily be absorbed into industrial and other employment, that far fewer and far larger farms are in the Nation's long-range interest. We cannot concur with this conclusion.

It is true that support prices have assisted chiefly family-type farmers. Most of these produce a variety of crops, some of which are supported directly, some indirectly. The benefits of support prices have assisted these family-type farmers because they have provided some fixed points of reference, some relatively stable yardsticks of value for many of the components of their family-farming enterprises, much as minimum wage laws have been of value to workers whether they were in general or specialized lines of work at scales substantially above the minimum.

The importance of price-supported commodities to farmers on a State-by-State basis is well illustrated on a map presented by the

House Committee on Agriculture and found after page 4 in the committee's report of June 26, 1954, House Report 1927.

It shows for the Nation as a whole that in 1953, 70 percent of the total value of crops produced and livestock marketed were protected by price supports, surplus-removal purchases, and marketing agreements.

"Without these price-stabilization activities farm income would have been $3 billion lower," the committee states. "This is equal to almost 25 percent of farmers' net realized income in 1953."

The level of support prices determined by this Congress will not only determine the prices received for the six basic commodities through 1955 but will affect directly and indirectly the prices of many other commodities. A temporary decline in feed prices may provide good fortune of very short duration to a feeder of poultry, hogs, dairy cows, or beef cattle. There is still enough flexibility in the production pattern of American agriculture to assure the existence of widespread appreciation of such an opportunity, should it prove to be more than short-lived, by others in near or even distant producing areas.

Feed consumers, including manufacturers of grain, know as a historic fact that times of low feed prices are not prosperous times, that overly cheap feed tends to drag down the Nation's farm economy, with nearly every segment of our population sharing in the distress which depressions create.

WILL FLEXIBLE SUPPORT PRICES CURE SURPLUSES?

Because an erroneous assumption through frequent reiteration has come to win some acceptance as a truism, it is necessary to dwell again on the mistaken assumption of advocates of the flexible price-support program that of itself it will discourage production and help to remove surpluses.

Historical evidence, based upon past farm depressions and upon observation of the current, relatively inflexible production patterns of most farmers, indicates that lower supports and consequently lower prices will result in equal or high production by individual farmers.

Viewed in terms of the individual farmers, the answer is rather easy to find—it forces a response to circumstances where their need for funds to meet their minimum obligations becomes their primary motivation.

Had flexible support prices been in effect since 1952, there is no good reason to believe that our current surpluses would have been any less. Indeed, they may well have been larger because farm income is price times volume, and when prices decline the classic response of farmers is to increase output so as to earn enough to meet their obligations, farm expenses, family living costs, taxes, support of churches and schools.

Agricultural history is rampant with instances of farmers offsetting lower prices by increasing output. During the great depression, as prices declined acreages devoted to the principal crops tended to increase. Even when corn, wheat, cotton, tobacco, and other commodities hit sensationally low unit price levels, farmers exercised the single alternative available to them under those trying circumstances, to attempt to offset the price decline by producing more.

We feel, too, that there is error in the argument of some who urge flexible supports, or even 82½ percent supports, on the theory that these will result in fewer governmental controls. They really seek to embrace ruthless price competition among farmers as the chosen instrument for adjusting production downward. This is neither fair nor justified without a fair trial of control programs that are administered largely by farmers themselves.

Because lower support prices of themselves have little effect—or even the opposite effect—in achieving the objective of reduced production to put supply in line with effective demand, it is evident that about the same controls will have to be employed, whether supports are firm or flexible, whether they are cast at 60, 75, 80, 82½, or 90 percent of parity.

There is no magic in these figures so as to set aright quickly and easily the problem which has come in the wake of a tremendous expansion of our farm production to meet World War II and postwar and Korean needs. The task before us is to facilitate with the least tragedy, the least uprooting of families who have chosen farming as their way of life, the realistic adjustment of supply to current and prospective effective demand.

Because of this, we are not proposing any significant change in the adjustment programs in connection with 90-percent supports for the basic crops. They are about those called for under the 1949 law. That law, unless affirmative action on this bill is taken by Congress at this session, would automatically usher into effect in 1955 flexible 75 to 90 percent support prices with all of their unproven claims of efficiently adjusting supply to demand.

SUBSIDY OR INVESTMENT?

The price-support program, whether at 90 percent or a lower figure, will involve some governmental expense. The difference in costs between supports at 82½ and 90 percent would lapse into insignificance compared with the difference in farm prices and income should the lower support rate be enacted.

Opponents of supports of any kind are fond of referring to the programs of the Commodity Credit Corporation as subsidizing agriculture.

Actually, by placing emphasis on balancing production to need, the costs of a farm program will be chiefly reduced, irrespective of the support level. Yet, while we seek to reduce these costs, we need offer no apology for the principle of employing a subsidy to achieve desirable results through governmental activity relating to this far-flung industry involving about 5 million farms and many millions of farm people.

Congress in 1789 employed the subsidy principle to encourage the development of a merchant fleet. The catalog of subsidies directed to business and industry over the years is very long. Since World War II, Congress has been faced repeatedly with the necessity of providing subsidies for business and industry, much of it for business reconversion. Most of these can be justified for significant national objectives, and this is no less so in the case of agriculture.

A continuation of price supports, enabling agriculture to adjust its production to current requirements, may be called a subsidy, but it is actually an investment which benefits not only agriculture but our economy as a whole. A depressed agriculture is no asset in an economy seeking to grow and prosper.

Farm price supports and surplus removal operations in the last 20 years have cost less than 1 percent of the value of the crops and livestock marketed. Many obvious advantages resulted, not the least of which has been our relative abundance of food at reasonable prices and our freedom from scarcity. In partial recompense for our investment in price supports, this country and its allies during and after World War II and Korea were protected with respect to their supply of food and fiber beyond any performance recorded in human history. It has been insurance at very low premium cost, and to cancel this policy now is neither necessary nor wise.

The fact is that the cost of these programs over a period of years is small when compared with expenditures for foreign aid or our military budget.

ATTITUDE OF FARMERS

Farmers responsible for production of major crops have repeatedly indicated their willingness to cooperate with the Government in programs to adjust production in an orderly manner. Patience is now the chief need because a vast and complicated agriculture cannot respond quickly or surely to any program.

Cotton producers, by a vote of 458,382 to 29,071, voted to abide by quotas and reduced their acreage from 27 million acres in 1953 to 21,379,000 acres in 1954. The Department of Agriculture recently reported that, based on July 1 estimates, the acreage in cotton this year is 19,961,000 acres, or about 93 percent of the 1954 allotment. This is an impressive performance.

In the case of wheat, farmers voted 390,221 to 57,536 to reduce their 1954 wheat acreage to 62 million acres against 78 million acres in 1953. Their performance in relationship to the Government's request is well below the national allotment. The Department of Agriculture estimated as of July 1 that all wheat acreage for harvest would total 53,726,000 acres, or 79.5 percent of the 1953 acreage. The weather contributed to this result, but it is nevertheless an impressive display of cooperation.

Other producers, given an opportunity to vote on marketing quotas to make acreage allotments effective, have repeatedly indicated their willingness to cooperate with the Government in adjusting production to estimated demand rather than to follow the ruinous course of enthroning unbridled competition as the only sure method of relating supply and demand.

This development demonstrates, on the part of farmers, very deep thought over the causes and effects of farm depression. It is a very serious matter for farmers whose alternatives are few and who are constantly subject to weather and other forces beyond their control.

It is neither wise nor necessary that American agriculture be sacrificed either whole or piecemeal to doctrines doubting the capacity of farmers to associate themselves in a great effort to meet the challenge of what may be temporary overproduction.

SURPLUSES MAY PROVE TEMPORARY

There are reasons to believe that in the course of a relatively few years farm surpluses may become a matter chiefly of historical interest. With the Nation's population increasing at a rate of about 2½ million persons per year and with some prospects of improved demand for our surplus products abroad as the populations and requirements of other nations increase, we can look forward with a degree of confidence that neither surpluses nor overproduction of farm commodities presents a chronic problem of permanent character.

The forecasters of doom in 1946, 1948, and 1949 proved wrong; if this Congress had listened then to those who foresaw immediate and costly surpluses, this country would have failed to meet the challenge of hunger that marked the years until midsummer of 1952.

During the period needed for patient adjustment, the farm segment of our population need not be sacrificed to a lower order of prosperity than is available to other groups of our population. For nonfarming groups there are laws and devices of one kind or another which have come to win wide support in Congress, including accelerated depreciation for industry, minimum wages and maximum hours for labor, parity payments for maintaining our merchant marine and other subsidies, and assistance too numerous to recount. The costs incident to a failure to employ our authority wisely and courageously in the case of price supports could prove both large and unnecessary.

PRODUCTION ADJUSTMENTS

The very substantial cuts in production which the Secretary of Agriculture has requested for next year in themselves will substantially reduce farm income by cutting back the volume which the farmer will market.

This reduction may to a large extent be necessary but should not be accompanied by a reduction in support prices which means reduced farm price levels and reduced market volume at one and the same time.

Indeed, the conviction grows that the proposals to reduce support prices starting with the next crop, in 1955, could not be more ill timed. Prices would be cut when supports are needed most to sustain prices and farm income and to give farmers an adequate opportunity to contribute to national income and prosperity.

It requires no courage to support prices at 90 percent in wartime, when shortages abound and prices hover at parity. They proved useful then, the cost was small, the benefits very substantial. On some commodities, especially cotton, CCC realized a large windfall profit.

The test of courage is now, when farm production cannot taper off easily from war-created needs, when market prices are weak.

A retreat from 90-percent supports now when they are most needed will signal not alone weakness but the lack of resolute courage that waits not for depression to strike but, instead, attacks it boldly before it can win a single firm beachhead.

II. Dairy Products

SUMMARY OF PROVISIONS

Increase in the support level from the present 75 percent of parity to 85 percent on milk, butterfat, and the products of such commodities produced on and after September 1, 1954, and ending August 31, 1955. For the marketing years beginning September 1, 1955, and September 1, 1956, the Secretary of Agriculture is required to take into consideration new criteria in determining the level of price support. Price supports shall be provided through loans on, or purchases of, or for the period ending August 31, 1956, through payments to producers or processors of milk, butterfat, and the products of milk and butterfat. For the purpose of determining the level of price supports, provision is made for the continued use of the present computation of the parity equivalent of manufacturing milk.

NEED FOR DAIRY SUPPORTS

In proposing a level of price supports for dairy products at 85 percent for a new marketing year from September 1, 1954, to August 31, 1955, and establishing factors to be considered by the Secretary of Agriculture in determining the level for the subsequent 2 marketing years, the following vital considerations have been given weight:

1. To avoid drastic reduction of the price-support level, such as the drop from 90 percent to the minimum of 75 percent put into effect on April 1, with the resulting grave danger to the economic stability of this major segment of the agricultural economy.
2. To give the Secretary of Agriculture, in determining the price-support level for future years, appropriate bases for discretionary consideration of various factors not provided in the present law.
3. To prevent drastic fluctuations in support levels that fail to consider the fact that production of adequate future supplies of dairy products depend upon long-range planning of herd development and cannot be adjusted in the space of a few months without resulting in economic disaster to the dairy farmer or unloading of dairy cattle on the market with resultant dislocation of the beef cattle market.

The dairy industry is such an important part of the agricultural economy that to fail to give consideration to its special needs would be shortsighted, if not worse.

The primary consideration in this legislation, is not the convenience of the Government, but the needs of the dairy producers, who were encouraged to build up their production during the Korean crisis and the defense buildup and are today caught in a price squeeze of high costs and declining returns which threatens the security of many individual dairy farmers and the stability of what in many areas is the backbone of American agriculture.

Dairy farming is the basis of the family-type farm unit. If the dairy farmer cannot make an income commensurate with his great investment of money and of time in a producing herd, and if he is forced to take losses which are wholly unwarranted in the present high level of the general economy and which would not be reflected in any reduced prices of food to the consumer, we have become bankrupt in this country in dealing with the problems of Government as they relate to agriculture.

Moreover, milk and butter and cheese and all the byproducts of the dairy industry are vital to the well-being of our people. It is inconceivable that we should not take every possible step to keep this industry which produces these necessities of our diet and which contributes so much to the American standard of living, upon the highest level of productive capacity and of adequate take-home pay for those engaged in it.

The committee is cognizant of the many problems besetting the dairy industry and the commendable efforts made by the industry in working toward the solutions of these problems. The recommendations of the committee are designed to give encouragement to the dairy industry and provide a program that will assure a plentiful and healthful supply of dairy products for the American people and stabilize the economy for dairy farmers at a level which will provide a fair return for their labor and investment, taking into consideration the cost of items that farmers must buy.

It is important to note that the proposed change in the dairy price-support provisions of the Agricultural Act of 1949, which are proposed in this section, does not change the basic provisions of the flexible price-support provisions of 75 to 90 percent now in the law. It does, specifically, arrest the decline for the first year in accordance with the philosophy of the President as expressed in his message to Congress on the farm program that the changes and adjustments should not be abrupt and drastic but should be gradual in order to maintain stability in agriculture.

The committee has considered several meritorious suggestions which would contribute to the improvement of the present dairy situation. The absence of additional recommendations does not imply disapproval. As a matter of fact the committee supports the objectives of the various provisions of H. R. 9680 as passed the House of Representatives relating to domestic disposal programs, donations of surplus dairy products to military services and veterans' hospitals, an accelerated brucellosis eradication program, expansion of export trade, and a study and report to the Congress by the Secretary of Agriculture on methods of production controls and price supports, including programs to be operated and financed by dairy farmers. The committee recommends that these objectives be considered in conference.

ANALYSIS OF SECTION 203

Section 203 contains the following provisions:

Support level.—The level of price support for whole milk, butterfat, and its products produced on and after September 1, 1954, and ending August 31, 1955, shall be not less than 85 percent of parity. Establishing the price support level at 85 percent will conform to the principle of orderly transition or "gradualism" so as to prevent undue economic hardship.

For the marketing years beginning September 1, 1955, and September 1, 1956, the Secretary of Agriculture shall take into consideration new criteria in determining the level of price support between 75 and

90 percent of parity. In establishing the 75 percent level for the marketing year beginning April 1, 1954, the Secretary indicated he had no other alternative under the terms of existing law which provide that the price-support level shall be established at such level as the Secretary determines necessary in order to assure an adequate supply. The new set of factors will provide more flexibility in making the determination of the price-support level.

Additional method of support.—Under present price-support operations the proposed 85 percent price-support level might result in slightly higher prices of dairy products to consumers, although the drastic drop to 75 percent did not benefit the consumer very much nor substantially increase consumption. In order that the increased support level need not increase consumer prices, the committee, in addition to the present loans and purchases operations, authorizes price supports to be provided through payments to producers or processors of milk, butterfat, and the products of milk and butterfat. It is the intent of the committee that the term "producers" includes cooperatives where dairy farmers are cooperatively organized.

New marketing year.—The committee has modified the present marketing year so as to start on September 1 instead of April 1, as heretofore. Whereas April 1 historically is the approximate period of in-storage movement of butter or the low-storage point, September 1 is the period of out-of-storage movement and, therefore, is logically the date to consider in establishing the support level based on stocks on hand. It seems wise to put any price support change into effect in September rather than April, for the production is on a much lower level then and a more stable market relationship would result. At the same time, difficulties encountered by the Department of Agriculture in past years when the marketing year conformed to the calendar year would be avoided.

School milk.—As a supplemental means of supporting dairy prices, the committee provides for increased consumption of fluid milk by children in nonprofit schools of high-school grade and under. The Commodity Credit Corporation is authorized to use out of its funds not to exceed $50 million annually for the next 2 years for such purpose.

III. Feed Grains

PRESERVING FEED VALUE RELATIONSHIPS

Section 204 specifies that price supports shall be made available to 1955–56 crops of oats, rye, barley, and grain sorghum at not less than the level the Secretary of Agriculture shall determine is the feed-value ratio equivalent to corn.

Our purpose is to maintain a balance between price-support levels of the feed grains so that economic pressures will not be built up that will endanger the programs for these and other crops that compete for land, capital, and labor resources and for the market.

Producers of feed grains, who have seen their selling prices drop so much the past few years, deserve and need the assurance of mandatory support programs.

DROP IN PRICES

Average prices received by farmers for feed grains, comparing the average of January 1947 to December 1949, with prices on June 15, 1953, and June 15, 1954, were:

Commodity	January 1947 to December 1949 average	June 15, 1953	June 15, 1954
Corn, per bushel	1.64	1.46	1.49
Barley, per bushel	1.37	1.16	1.05
Oats, per bushel	.852	.705	.735
Rye, per bushel	1.82	1.28	.990
Grain sorghum	2.53	2.39	2.27

Without specific support programs for the secondary feeds, the entire job of supporting the feed-grain market falls on the corn program.

In years prior to 1953, this was prevented under discretionary legislation by administrative order setting the level of supports for secondary feed grains at the feed equivalent ratio to corn. However, we do not approve of the way in which price supports on the feed grains have been varied for the 1954 programs. We feel that these manipulations will have the effect of setting commodity group against commodity group, with the ultimate result of splitting asunder those in the Congress who have traditionally supported farm legislation.

We have included section 204 in the bill just to be sure that orderly markets will be restored, and will be maintained in the next 2 years. Doing so actually will reduce costs of price supports, and cut down on the amount of surpluses that might otherwise be accumulated under the corn program.

ACTUAL COMPARATIVE FEED VALUES

The experts in animal nutrition at our Federal experiment stations and at our State land-grant college experiment stations have worked for years to develop the actual pound-for-pound comparative feed value of all of these supplemental and competitive feeds. This ratio in terms of price is called the "feed-value equivalent." Following is the accepted feed-value equivalent of each of these secondary feeds compared to corn, with the feed-value equivalent prices to corn at 90 percent of old parity—the effective parity for corn:

Commodity	Feed-value equivalent	Feed-value prices equivalent to corn supported at 90 percent
	Percent	
Corn	100	$1.62
Barley	94	1.30
Oats	88	.81
Rye	85	1.38
Grain sorghum, per hundredweight	99.67	2.88

Distortion in relationships between the secondary feeds and corn has occurred due to the support of corn under old parity, and the support of the other feed grains under the transitional or new parity.

For example, barley, oats, and grain sorghums were all supported at 85 percent of parity in 1953. Under the administrative discretion of the Secretary, support prices announced for 1954 on barley, oats, and grain sorghums are at the same percentage, but of a lower parity price because these three feed crops have been on transitional parity. In terms of pricing, as a result, oats support is down 5 cents per bushel in 1954 over 1953, barley is down 9 cents per bushel, and grain sorghums are down 15 cents per hundredweight. No substantial change was shown in rye because it had already reached the bottom of the transitional slide downward in 1953.

DIFFERENCES IN PARITY PRICES

Following are parity prices on feed grains comparing the old and new parity formula, calculated as of February 15, 1954, data:

Commodity	Old parity	New parity
Corn	1.80	1.61
Barley	1.73	1.36
Oats	1.12	.877
Rye	2.02	1.71
Grain sorghum	3.39	2.54

How the price relationships between secondary feed and corn have been distorted is shown by the following table:

1954 support price compared with feed-value equivalent price

Commodity	1954 support price	Equivalent price
Corn	1.62	1.62
Barley	1.15	1.30
Oats	.75	.81
Rye	1.43	1.38
Grain sorghum	2.28	2.88

Obviously, the "feed-value equivalent" in terms of price relationships among these competitive and supplemental feeds, and between all of them and corn supports at 90 percent of parity, has been weakened.

Normally, when oats, barley, grain sorghums, or rye are priced too low in relation to corn, either corn comes down or the others come up to the "feed-value equivalent" price. Oats, barley, and rye don't in fact come up in price by reason of our substantially "open door" for imports of those crops, principally in recent years from Canada.

The end result of this rather involved disjointing of the pricing situation is that the lower priced feed grains, competitive with corn, will move in greater volume into the market areas of normal corn consumption, which in turn will leave constantly greater supplies of corn in the Commodity Credit Corporation's inventory.

ASSURES KEEPING BALANCE

Section 204 will not increase the cost of the price-support program nor add to the quantity of the so-called surpluses. In fact, section 204, if enacted, will reduce both the cost and the supply accumulation under the corn-support program, by assuring that other feed grains are kept in balance.

Following are the estimated support prices under section 204, figured in dollars and cents and percent of old parity on the basis of the feed-value equivalent to corn supported at 90 percent of parity:

Commodity	Dollars and cents	Percent of old parity
Corn	1.62	90
Barley	1.30	75
Oats	.81	72
Rye	1.38	68
Grain sorghum	2.88	84

Without section 204, the entire operation of holding up the market prices of the feed grains will fall upon the corn program. With section 204, all their grains will accept the full share and an orderly market structure will be restored.

Even without section 204, effective administration would call for setting the support levels for the secondary feed grains at the relationships specified by the section. We wrote this section into the bill to be sure that the principles of good administration were put into effect.

CONFORMS TO PRESIDENT'S AIM

We believe this provision is completely in accord with the views of President Eisenhower, as expressed at Kasson, Minn., on September 6, 1952, when he said:

> As provided in the Republican platform, the nonperishable crops so important to the diversified farmer—crops such as oats, barley, rye and soybeans—should be given the same protection as available to the major cash crops.

Mr. Young,
Mr. Thye,
Mr. Mundt,
Mr. Ellender,
Mr. Johnston of South Carolina,
Mr. Eastland,
Mr. Clements,
Mr. Humphrey.

MINORITY VIEWS

The Senate Agriculture and Forestry Committee reported S. 3052 with three major provisions which we consider highly objectionable.

The provisions are—

1. Mandatory 90 percent rigid supports for 5 major commodities—corn, wheat, cotton, rice, and peanuts. (Tobacco is not an issue in this bill.)
2. A provision forcing the Secretary to increase supports for dairy products from 75 percent to 85 percent of parity.
3. A provision forcing the Secretary to increase the support prices for oats, barley, and grain sorghum to levels as high as 113 percent of parity.

These provisions are neither in the interest of the farmers or the public generally and should be defeated by the Senate.

Part 1. Price Supports for Basic Commodities

The program of farm price supports was instituted in the late twenties and early thirties to assist farmers to market their commodities over a 12-month period in an orderly manner. A necessary part of this program was the providing of governmental machinery to farmers to assist in adjusting production to effective market demand, thereby increasing the opportunity for farmers to get a fair price in the market place. In recent years, this idea has been twisted into the right of some farmers to a profitable fixed price for their commodities regardless of either how much the market will absorb or how great the price-breaking surpluses may become. The 90 percent price support that was a Government incentive to produce for war has been distorted into a peacetime program of temporarily guaranteeing profits for a minority of the farmers.

As unmanageable surpluses pile up and the right to produce is restricted, the demand for the continuance of these high rigid supports shifts from one of guaranteeing a profit to one of providing relief.

We are strongly of the opinion that the American farmer should neither be guaranteed a profit-yielding price nor forced to trade his independence for Government relief.

We favor farmers getting the highest possible net income that they can earn. Farmers can never expect to obtain through a Government relief program as high or as satisfactory an income as they can by producing and selling what consumers want. We think that Government programs should assist farmers in their goal of obtaining the highest possible net farm income and not interfere with either their freedom or opportunity to do so.

AGRICULTURAL ACTS OF 1948 AND 1949

Widespread misunderstanding exists with regard to the economic and political facts surrounding the passage of the Agricultural Acts of 1948 and 1949 which were designed to carry out in the postwar period the idea of assisting farmers to market their commodities in an orderly manner throughout the marketing year.

The Agricultural Acts of 1948 and 1949, which constitute the basic price support and adjustment program authority, were designed to provide farmers governmental assistance in adjusting production to effective demand.

It should be borne in mind that this legislation was evolved during a period after World War II that resembled in many ways the current period. Then, as now, we had moved out of a shooting war situation into a postwar type of economic setting. Then, as now, we had our agricultural plant overexpanded and were confronted with reduced foreign demand. The year 1947 was one of extensive farm program studies just as 1953 was.

On April 21, 1947, Clinton P. Anderson, Secretary of Agriculture, said:

> We need to develop a long-range system of commodity price floors to protect producers against excessive or abnormal declines during the market season and to generally cushion declines in farm prices and incomes in the event of business recessions. We should make sure, however, that we do not establish a rigid system of price relationships * * *. Prices are and should be an effective means of encouraging changes in production as the conditions of production and demand change.

In 1947 in response to questioning by members of the Senate Committee of Agriculture and Forestry, Carl C. Farrington, speaking as chairman of the Department's Committee on Price Policy and Production Adjustment, said:

> We have given much thought to the percentage of modernized parity which might be used as a minimum price floor. Our studies indicate that 50 percent of parity, for example, might not be high enough to act as an effective stop-loss mechanism, and 90 percent might force us into a completely managed agricultural economy.

President Truman sent a message to the Congress on May 14, 1948. In it he asked for flexible price supports in these words:

> Many shifts in production will have to be made and flexible price supports will help us make them in an orderly manner. This will require authority to make prompt adjustments in support levels in line with current and prospective supply-and-demand conditions. It will also require flexibility in the choice of methods or programs that are designed to be most effective for individual commodities, that avoid waste, and that help bring about needed adjustments in production, distribution, and consumption.

Both the Republican and Democratic Party platforms in 1948 were straightforward in their endorsement of the basic principles of the Agricultural Act of 1948, including flexible price supports.

Both candidates for President campaigned in support of flexible price supports. In a speech which Candidate Truman delivered at Springfield, Ill., on October 12, just prior to the November 2, 1948, election, he said:

> Here are the main outlines of the agricultural program we must have.
>
> 1. We must have on a permanent basis a system of flexible price supports for agricultural commodities. Price supports and related measures help us keep our farm production adjusted to shifting market requirements * * *.

The President's Council of Economic Advisers on January 7, 1949, submitted an economic review under the heading, "Farm price supports," in which they used these words:

> Intercommodity price relationships must be kept consistent with basic trends in demand and supply conditions. To the maximum extent possible, parity-price relationships and support-price programs should encourage shifts to those commodities that are most wanted. Rigid systems of support, in violation of this principle, can only lead to rigid systems for restricting output that violate

our tenets of economic freedom, that work against our objectives of maximum production, and that in the end take away from farmers' incomes through decreased volume as much as, or more than, they add through increased prices.

The Agricultural Act of 1948 represents an important step forward in recognizing the difficulties associated with overrigid supports.

In his budget message to the 81st Congress in January 1949 President Truman restated the fundamental principles upon which the Agricultural Act of 1948 was based.

> As I said a year ago, price supports should be regarded "chiefly as devices to safeguard farmers against forced selling under unfavorable conditions and economic depression." Their purpose is to bring an element of stability into agriculture. At the same time they should not place excessive burdens on the Treasury and taxpayers or inhibit shifts in production needed to meet peacetime demands and to promote adequate conservation of our soil resources.

The majority report of the Joint Committee on the Economic Report, headed by Senator O'Mahoney (Democrat, Wyoming) and Congressman Hart (Democrat, New Jersey) had this to say on May 1, 1949:

> In order to fit a prosperous and equitably treated agriculture consistently into an economy seeking to operate continuously at maximum levels, agricultural price supports must be kept as floor prices; not as a means of price fixing, nor to guarantee a profit, but to provide a barrier against the sort of devastating price declines which in the past have made agricultural depression the forerunner of business and industrial depression * * *.
>
> The need to put into operation a flexible, well-integrated and varied farm program is urgent. In addition to flexible price supports intelligently adapted to postwar conditions, consideration should be given as parts of a coordinated program to such measures as the provision of adequate storage facilities, more adequate credit accommodations, crop insurance, and so forth.

The minority report contained the following pertinent paragraph:

> We still consider that a support-price program for farm prices is highly desirable to prevent the development of a depression through a complete collapse in agricultural products. We do not feel that it is our function at this time to discuss the various plans for such price support, but we recommend that a full trial be given to the Aiken-Hope Act and its plan of sliding-scale support recommended by the leading agricultural associations. The administration of this plan should be directed not as if it were a relief measure or a guaranteed equality of income for individuals, but as a major weapon against distortion between urban and rural incomes which could bring collapse to the entire Nation.

Rigid mandatory supports at 90 percent of parity without regard to supply seriously injure (1) the vast majority of farmers, (2) consumers, (3) our competitive free choice economic system, (4) the Government and the general interests of the people of the United States.

I. RIGID SUPPORTS INJURE FARMERS

Rigid supports injure farmers by increasing their costs, decreasing their markets, decreasing their freedom of choice, assisting their competitors, lowering their net income, and obstructing needed adjustments.

1. Increase costs

The greatest single source of farm income is the sale of livestock and livestock products. One of the most important factors in the costs of producing livestock is feed. Rigid price supports have diverted feed from livestock into Government warehouses. Only 23 percent of the United States farm income comes from the basic commodities which with the exception of tobacco (which accounts for 3.3 percent of total farm income) are the main subject of the present controversy.

Three-fourths of our farm income is from the nonbasic commodities. Approximately 60 percent of our agricultural income is from nonsupported commodities. The argument is often made that high price supports on the six basics helps to stabilize economic conditions for the others. This argues that the tail wags the dog.

Diverted acres.—In many respects mandatory supports at 90 percent of parity work to the disadvantage of nonsupported products. Acres diverted from the basic commodities tend to increase the supply problems of the nonbasic commodities. During 1954, efforts to provide rigid price supports for wheat, corn, and cotton have resulted in the following acreage increases over 1953 of other commodities:

	Percent		Percent
Barley	+51. 3	Flaxseed	+26. 2
Sorghum	+39. 5	Soybeans	+20. 6
Sugar beets	+21		

Thus supply problems, instead of being solved, are being shifted from one group of crops to another and all through the coming years we will be listening to the trouble of farmers who plant these other crops. To avoid this inequity, cross compliance and compliance with a total acreage allotment has been required for 1955. This will serve to give a degree of protection to nonbasic crops, but forage crops, which can be grown on the diverted acres, will in time adversely affect dairymen and beef producers. Oftentimes producers of a basic crop maintain that they are willing to restrict production in order to obtain price support at 90 percent of parity. What they mean, in many cases, is that they are willing to divert acres out of the basic crop and into other uses in order to obtain price support on the basic crop. This does not really face up to the problem.

With an acreage-control program, there probably is no way fully to control the shifting of supply problems from one crop to another. That being the case, price support should be kept at moderate levels so as to minimize the problem.

Costs are increased to livestock producers by rigid price supports in other ways. Supporting favored crops at high levels prevents needed adjustments which the farmers, consumers, and the trade would normally make by themselves. Supporting corn at a high level raises the cost of cattle feeding. The price paid by a Corn Belt farmer for feeder cattle is limited by his expectation of profit, after taking account of costs. Last fall, 90 percent of parity for corn contributed to low prices for the feeder cattle from western ranges. Similarly, a farmer in the Corn Belt could easily decide whether to feed his corn to cattle or sell it through 90-percent supports to the Commodity Credit Corporation. We once fed a substantial part of our wheat, but 90 percent of parity for wheat means that wheat is priced too high to permit a large volume of feeding. This causes particular difficulty in the Northwest and the Northeast, which in the past have made heavy use of this crop for feed.

2. Decrease farmers' markets

Rigid supports decrease farmers' markets by lowering consumption. This is just exactly the opposite of what farmers need at this time. The most satisfactory solution to the current farm problem is to expand domestic and foreign markets until they balance agricultural production. It is commonly said that price has little to do with the consumption of agricultural products. Though we might decrease the price of wheat or cotton, it is said, no more bread or shirts would be purchased than before. There is enough truth to this statement to make it convincing, and enough untruth to make it dangerous. In the case of many agricultural products, such as livestock and dairy products, fruits, and vegetables—by far the most important source of farm income—the statement that price has little to do with guiding production and consumption is completely untrue. It is true, however, that a lower price for wheat would not increase the domestic consumption of bread. But it would permit us to meet export competition and to move more wheat in the form of livestock feed. A lower price for cotton would permit us better to meet the competition of synthetic fibers. It would permit us to regain a part of the world cotton trade which has been lost to foreign countries with respect to whom we have held a price unbrella. The housewife chooses food on the basis of price. The foreign buyer of American export products is price-conscious. The textile trade selects its fibers partly on the basis of price. No more effective weapon can be used to drive customers away from our products than to price these products at levels which are out of line with other products or alternative sources of supply.

3. Assist farmers' competitors

The efficient wheat-producing farmers that were in business in 1940 have watched with growing concern the shifting of the right to produce wheat from themselves to other farmers here in the United States as well as in foreign countries. The western Kansas wheat farmer along with the wheat farmers in Texas, Oklahoma, Nebraska, South Dakota, North Dakota, and the other great wheat-growing States have seen thousands of acres of additional land in the old Dust Bowl area of southwest Kansas, northwest Texas, northwest Oklahoma, and southeast Colorado returned to wheat in violation of the principles of effective soil conservation. They have also seen the less efficient wheat-farming areas of the country that are better adapted to other types of farming, shift to the production of wheat. For example, they have seen Michigan expand wheat and go out of the production of dry edible beans because the production of wheat for the Government was a more profitable venture. Now that we have such a tremendous surplus supply of wheat (900 million bushels—over 6 times the normal amount prescribed by law) which is destroying market prices and threatening to overwhelm the farm program in a manner similar to the way it destroyed the old Federal Farm Board, serious cuts in production are being called for. The new areas are claiming their right to produce wheat and the efficient producers in the old areas are being cut drastically. For the most part, the efficient wheat-producing areas can produce wheat better than anything else, yet the support program has built up such surpluses that they are being deprived of their right to produce while other areas which could more efficiently produce alternative crops are staying in the production of wheat due to the high Government incentive prices. The efficient western Kansas wheat farmer along with the efficient wheat-producing farmers in other States also see that the price-support program has encouraged the Canadian, Argentinian, Australian, Turkish, and other wheat farmers of the world to plunge into the production of wheat in competition with him knowing that the wheat of the United States farmers will be the last to find its way into the world markets. The cotton producer who is looking at the facts is also aware of both domestic and foreign competition which is being aided by the rigid 90-percent price supports. Since 1930, synthetic consumption in the world has increased from the equivalent of 1 million bales of cotton to 10 million bales. Before 1933, America produced more cotton than all the rest of the world. This situation is no longer true today.

4. Supports disturb foreign trade

Ninety percent of parity price support for our great export crops gives a price which is irresponsive to changes in supply at home or demand abroad. If this continues, we can never hope to become more than the residual supplier. Under these conditions subsidies may be needed to bridge the price gap between the domestic and export market. To maintain an acceptable share of export market for wheat we have had to pay, thus far during this marketing year, an export subsidy of 43 cents a bushel.

Pricing domestic products at 90 percent of parity draws imports to our shores as a magnet draws metal. These products are attracted out of their normal trade patterns, away from the legitimate recipients and to our already overburdened markets.

In order to keep costs of these programs within reasonable bounds, embargoes, quotas, and import fees are needed. These unavoidable obstructions offend those nations whom we urgently need as friends.

If 90 percent of parity price support is voted, the Congress by that act establishes a restrictive foreign-trade policy for agricultural products.

5. Ninety percent guaranties result in strict controls and decreases farmers' freedom of choice

With high price supports, production is encouraged and consumption retarded. Consequently, surpluses accumulate. These surpluses are costly to store and difficult to move. For most commodities, spoilage is a threat. Thus surpluses tend to overhang and depress the market. Consequently, to avoid the evils of continuing surpluses it becomes necessary to place sharp restrictions on production. The restrictions reduce not only farm output but also sharply restrict activity in related agricultural industry.

This essential truth has not been made sufficiently clear to American farmers and nonfarmers. In the past, every time the problem of excess stocks began to loom large, something intervened. The workability, over a period of years, of a system which retires from production large numbers of acres of our basic crops has not been fully tested. The droughts of 1934 and 1936 reduced our supplies and called for feed production from the diverted acres. Then, when the problem again began to pinch, World War II broke out and called for the use of all our acres. In 1950, when we again faced the problem of what to do with acres retired from wheat, corn, and cotton, the Korean war intervened and we put all our acres back into production.

6. Continuing rigid supports at temporarily profitable levels requires controls that must actually cut production unless the entire program is to collapse, as it is presently in danger of doing for some of the basic crops such as wheat

If the adjustment principle were to be strictly followed on wheat, farmers would not have a right to plant more than approximately 6 million acres for harvest next year, when just 2 years ago they planted

78 million acres—over 10 times as much acreage. Of course, such an abrupt adjustment is impractical—yet it shows the desperate situation in which wheat farmers find themselves.

Marketing quotas have not been invoked by any Secretary of Agriculture on corn, mainly due to the conviction by people experienced with controls, that corn marketing quotas cannot be made to work. Yet rigid price supports are providing a powerful force to increase production of feed grains and other crops that can be used for feed. If we do not begin to let prices allocate resources to direct the production and consumption of agricultural commodities, we inevitably are faced with the stark necessity of extending controls to more and more crops. If farmers substitute feed grain, such as grain sorghums and barley, for wheat acreage, the feed surplus will continue to mount to unbearable levels. As more and more intensive production of forage crops is encouraged, control will become necessary on livestock. Mr. Farrington's prophecy of a completely managed agricultural economy by the Government is fast becoming a reality.

7. Rigid price supports injure farmers by assisting their competitors

We have seen how holding up the price of wheat has increased competition for the efficient wheat farmers by the less efficient wheat areas of the United States. Similarly we are holding an umbrella over the rest of the world for wheat and other rigidly supported crops. Our rigid-price-support announcements serve as notice to the world that we are not only going to support our prices, but world prices as well. The farmer of Mexico, Brazil, Canada, and the rest of the world can borrow money, which they have done, to go into the production of cotton, wheat, and other rigidly supported commodities on the strength of such programs here in the United States.

8. Cost plus guaranties discredit the farm program

The price-support principle is an accepted part of farm programs, for the greater part willingly endorsed by farmers and nonfarmers alike. Certain unique characteristics of agriculture make price supports appropriate. The wide fluctuations of market prices and the hardships to which they subject farm people, the difficulty which farmers experience in pooling their bargaining power in order to match that of labor and capital, the essential nature of food, and the vulnerability of farm people to physical and economic disaster—all these things argue for an effective price-support program.

But price supports, long continued, at high levels, serve to build up heavy stocks, become costly, and result in misallocation of resources. Thus they antagonize those who would willingly support a more moderate program.

9. The farmer's concern is net income, not price alone

With price supports at 90 percent of parity and controls strictly applied, the volume of agricultural production must be sharply curtailed. Net income, not price alone, is the concern of agriculture. Net income is affected by volume and by costs as well as price. Restricting output often raises the cost per unit of production, and of course reduces the number of units sold. Thus, while price may be enhanced by the strict controls necessary to obtain 90 percent of parity, it does not necessarily follow that net farm income increases.

The inappropriateness of parity prices as a sole objective of farm price-support programs is evidenced by the fact that while during the past 40 years farm prices have fallen 8 percent relative to nonfarm prices; per capita net farm income has increased 11 percent relative to per capita incomes of nonfarmers. Thus, since 1910–14 farmers have improved their net income position relative to nonfarmers. They did this by turning out greater volume, and by increasing their efficiency, and in spite of a relative decline in prices.

10. Unwarranted surpluses incurred today cause us to borrow from tomorrow's market

About 10 percent of the 1953 farm production wound up in the hands of the Commodity Credit Corporation. This increased farm incomes for the 1953 crop.

But there will be another year when these stocks must be released, unless we let them spoil, which is unthinkable, or give them away, which in this strange world is not only expensive but difficult.

When these commodities are released they will add to the market supply as much as they withdrew from it this past year. Farmers' current incomes in the year of disposal will be curtailed about as much as they were helped in the year of acquisition.

Thus storing excessive quantities of agricultural products serves to increase farm incomes while the accumulation occurs. But the cycle should be completed before fair judgment can be rendered.

11. High and rigid supports do not permit needed adjustments

It is sometime argued that since the legislation recommended by the President would permit price supports at 90 percent of parity for basic commodities, the supports might as well be fixed at 90 percent by law.

There is, however, a great difference.

The flexible program serves to keep in the foreground the fact that supplies must be held in line with demand in order for price supports to be at or near 90 percent of parity.

There are numerous unforeseen events which might occur.

The minimum acreage provisions for certain crops might be raised by law.

Acreage allotments and marketing quotas might not be invoked.

Yields might be extremely high.

Export markets might suddenly be diminished.

Domestic outlets might be curtailed.

If supplies pile up as a consequence of such circumstances, it is important that there be an opportunity for lowering the support price to encourage consumption, to reduce the incentive for high production, and to encourage desired shifts in the pattern of production.

Mandatory price support at 90 percent of parity does not permit these needed adjustments.

II. RIGID SUPPORTS INJURE CONSUMERS

(1) By holding commodities off the market permanently and making them artificially scarce, as contrasted to helping farmers market their products, rigid supports increase the cost of food to consumers. The most striking example is butter. When price supports were lowered by the Secretary of Agriculture from 90 to 75 percent of parity, a corresponding decrease occurred in the market place. As a result consumption of dairy products increased about 7 percent.

(2) While the detailed facts may be hidden from view, many of the farmers' customers "know that something is wrong" and they do not like it. The general public became resentful about the potato and egg programs which resulted in the Government removing price supports on these commodities. The general situation with respect to wheat and other commodities is causing similar resentment. Unconsciously the general public understands that if land, labor, and equipment is being used to produce commodities which are not being sold, that someone is paying for this waste. They suspect that somehow they are being unfairly treated. There isn't any question but what consumers ultimately have to pay for using resources to produce what consumers do not want.

III. 90 PERCENT OF PARITY GUARANTEE STIMULATES PRODUCTION AND WASTES RESOURCES

1. Production stimulated

The fact that an incentive price will increase production has long been recognized by the Congress, which repeatedly has used this device to stimulate production, in time of need. The Senate recently recognized this principle in passing the wool bill.

The fact that a less attractive price will help bring overexpanded production back into line has likewise been recognized by the Congress.

At this time, when less production is needed, the continuation of 90 percent of parity rigid price support, an incentive price, is wholly inappropriate. Experience, the expressed judgment of the Congress, and economic fact all argue against it.

2. 90 percent rigid supports discourage sound soil-conserving practices

High price supports have kept parts of the Dust Bowl in wheat instead of grass. High price supports have kept cotton on eroding hillsides in parts of the Southeast, when this land should be shifting to livestock production.

High price supports for corn have resulted in cash grain production on midwestern farms which otherwise would have been in the livestock business.

Grass- and forage-consuming livestock are major contributors to a program of wise soil conservation. This kind of farming is discouraged by 90 percent of parity-price support on grain and row crops.

3. Consumers incensed by increased taxes

The public generally, as well as the farmers, are aware of the fact that the public debt is straining at the $275 billion limitation and that rigid price supports have helped contribute to this burden. The reality of taxation and the burden of the public debt cannot be explained away to the taxpayer by failing to look at all of the costs. While it is true that the Commodity Credit Corporation has only suffered losses of a little over $1 billion on the program that it calls price support, it is only fair to point out that billions of dollars have been spent for surplus removal programs, acreage allotment and marketing quota programs, none of which would have been carried out except for the problems created by price supports. The Department of Agriculture has submitted facts which make it abundantly clear that rather than the true cost of price support being a billion dollars, that it is many, many times this figure. However, this is not the most important issue—the real question is—Have rigid supports worked? Obviously they have not worked and we are not getting full value for the money spent.

IV. RIGID PRICE SUPPORTS INJURE OUR COMPETITIVE, FREE CHOICE, ECONOMIC SYSTEM BY—

(1) Undermining the functioning of price,
(2) Penalizing the efficient,
(3) Rewarding the inefficient and
(4) By making farmers dependent upon the Government.

1. Excessive prices pile up surpluses, which depress price

Six and a half billion dollars worth of American farm products have been piled up in the effort to make price support effective, 5 billions of this consists of the basic commodities, supported at 90 percent of parity. Storage charges alone are $700,000 a day. Movement of these surpluses without pulling down the price structure is extremely difficult, and the law requires that the price structure be maintained.

Thus 90 percent of parity is an effective means of procurement, but disposal is a difficult matter.

Ever-mounting surpluses hang over and depress the market despite the most strenuous efforts to support it. Though supports are at 90 percent of parity, wheat is now selling at 77 percent of parity and corn at 82. There comes a time when surpluses are so great that price supports, however administered, cannot be fully effective. Marketing the wheat harvest of 1954 is likely to show this most convincingly.

2. Pricing commodities out of the market puts Government into the business of merchandising farm products

At a very low percentage of parity, price supports would be without meaning.

At a moderate level, Government would be providing price support only occasionally, in time of a burdensome supply or a weakened demand.

At a high level, and maintained over a period of time, the Government not merely supports the market; the Government becomes the market. Government acquired 47 percent of the 1953 wheat crop, for example.

The higher the level of price support, the more likely it becomes that Government will supplant the private trade as a market for farm commodities.

3. High rigid supports incur consumer resentment

Through various forms of accounting, the costs of farm programs can be variously estimated. The Department of Agriculture, after a careful study, estimates the cost of farm programs primarily for the support of farm prices and farm incomes for the past 21 years at about $9.5 billion (before crediting processing taxes of approximately $2 billion). Other estimates run higher or lower, depending on which items are included.

That price support is costly is evidenced by the fact that twice during 1954 the Congress has been asked to increase the borrowing authority of the Commodity Credit Corporation, first from $6.75 to $8.5 billion and now up to $10 billion. Of present CCC inventories and loans, about 80 percent consist of the basic commodities supported at 90 percent of parity.

4. Parity is not equality

The longer uneconomic price-support programs are continued the more injurious they become to sound government. Excuses have been freely offered that other segments of our economy are being subsidized so therefore it is right to carry out any kind of a subsidy under the farm program. The argument that parity is fair and therefore farmers are receiving less than a fair price when commodities are supported at 90 percent of parity will not bear close examination. Parity as presently calculated is a price which gives the same quantity of a commodity the same purchasing power as it had in some past period, usually 1910–14. This does not take into account the tremendous advances that have occurred with respect to the lowering of the cost of production of some commodities and the resulting increase in the quantity that can be produced with the same resources while the cost of production and the quantity produced of other commodities has remained relatively constant. In the case of wheat, the cost of production, due to mechanization, better yielding varieties, etc., is approximately one-third of the support price in the efficient producing areas of the United States. Hybrid seed corn and nitrogenous fertilizer, along with mechanization, likewise have brought about dramatic improvements in the quantity of production in the case of corn. Since for the same or lower cost of production a much greater quantity can be produced now than in the base period, "old" parity is too high on some of these commodities in relation to other commodities. To those who insist that producers must have 90 percent of parity supports in order to obtain a fair price, we call attention to the fact that today the average price of grapefruit is about 22 percent of parity. Yet we do not have the grapefruit producers insisting that they need a price-support program. Oranges have consistently averaged in the neighborhood from 40 to 60 percent of parity, yet the orange industry does not believe the answer is price support.

V. IMPAIRS OUR RELATIONS WITH FOREIGN COUNTRIES

1. Import restrictions

As price is supported at levels that result in profitable prices to domestic farmers, they attract sizable imports into this country. To help protect the Government from being flooded with imports to add to the excessive production in the United States, barriers to imports must be built higher and higher. The result is bitterness and misunderstanding among people of other lands, who hear us talk of "Trade, Not Aid", and whom we greatly need as allies in the struggle against the socialist dictatorship of Russia.

2. Fear of surpluses

Today one of the greatest deterrents to a healthy world economic activity is the huge surpluses of CCC commodities overhanging the market. Our allies fear that we may dump these commodities on world markets and destroy them.

VI. MAKES FARMERS DEPENDENT ON GOVERNMENT

The world is witness to the struggle of governments to become the master of the individual rather than his servant. The higher that subsidies are set for agricultural commodities, the more government becomes the market and the more dependent farmers become upon government. This is the basis for the farmers' undoing. Today the Government is still the servant of the people. Self-government will be completely destroyed, and farmers ruined with it, whenever the Government becomes the master—whether paternal or otherwise—of the people.

Part 2. Dairy

S. 3052 as reported to the Senate would require: (1) The Secretary of Agriculture to increase the level of price support on dairy production from 75 to 85 percent of parity, (2) deny him authority to bring parity for manufactured dairy products into line with a sound determination of parity for butter, evaporated milk, cheese, etc. If the Secretary is forced by Congress to raise the price of dairy supports, it will help to destroy the market that is being regained for fluid milk, butter, and cheese. The probable effects of raising price supports on dairy production would be:

1. The progress made since April 1 of increasing butter consumption 7 percent will be swept away.
2. The incentive to maintain a higher level of dairy production would be increased and the incentive to build markets would be decreased.
3. Consumption of butter in the market would decrease about 50 million pounds at 80 percent. Margarine consumption would increase by approximately a like amount. With support at 85 percent of parity, these changes would approximately be double.
4. The Government acquisition of butter would increase by about 100 to 150 million pounds at 80 percent of parity. If support were at 85 percent of parity Government acquisition would go up correspondingly.
5. Windfall profits would accrue to the butter trade on inventories in stock. Not only would millions of unearned dollars be made by the butter trade but it would short the market during a considerable period prior to September 1 when new price-support levels would go into effect.
6. Consumers would resent a return to higher prices.

The adjustment to 75 percent of parity has been made. It has been accepted by farmers, by the trade, and by consumers. The farmers and the trade have instituted a sales-promotion program geared to 75 percent of parity. A boost to 80 or 85 percent of parity would turn us away from sound solutions to the dairy problem. To boost the price support now would be unwise.

Part 3. Small Grains

Last week a bare majority of the committee once rejected and then voted to report out a bill which included a directive to the Secretary of Agriculture, forcing him to support the prices of oats, rye, barley, and other grain sorghums at "not less than the level the Secretary shall determine is the feed-value equivalent to the support level for corn." This will force the Secretary for 1955 and 1956 to raise the support levels as follows:

	Present 1954 support		Mandatory price support proposed	
	Dollars per bushel	Percentage of parity	Dollars per bushel	Percentage of parity
Oats	0.75	85	0.81	92
Barley	1.15	85	1.31	96
Grain sorghums	1.28	85	1.62	113

The Secretary would in effect be directed to reduce the price support on rye from $1.43 a bushel, which is 85 percent of parity, to $1.38 per bushel, which is 80 percent of parity. Price support would be mandatory. Currently, support is discretionary. The support level would be determined solely on the basis of its feed value to corn. Under present law feeding value is only 1 of 8 factors considered. The eight criteria are set forth in the 1949 act as follows: "(1) The supply of the commodity in relation to the demand therefor, (2) the price levels at which other commodities are being supported and in the case of feed grains, the feed values of such grains in relation to corn, (3) the availability of funds, (4) the perishability of the commodity, (5) the importance of the commodity to agriculture and the national economy, (6) the ability to dispose of stocks acquired through a price-support operation, (7) the need for offsetting temporary losses of export markets, and (8) the ability and willingness of producers to keep supplies in line with demand."

This provision raises the question: Does this require feed grain outside the commercial corn area to be supported at a different level than required inside the commercial corn area?

At present the following percentages of the crops are produced inside the commercial corn area: Oats, 60 percent; rye, 45 percent; barley, 20 percent; grain sorghums, 20 percent. This would in effect set the support price for over one-half of the production of rye at $1.03 per bushel, which is 40 cents per bushel less than the present support price as set by Secretary Benson under discretionary authority.

The foregoing and the facts concerning price relationships between these grains shows how utterly ridiculous it is for the Congress to arbitrarily interfere with the functioning of price by setting a rigid pattern of supports regardless of the economic facts of life.

As supply and demand fluctuate, the result is reflected in price. Since supply and demand are constantly changing, prices continuously change to reflect the relationship. Therefore, it is not surprising that strong variations from year to year in relative prices help guide consumption and production. The facts are reflected in the following table:

Commodity	Farm price relationships [1]						Feed value relationships
	1949	1950	1951	1952	1953	May 15, 1954	
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Corn	100	100	100	100	100	100	100
Oats	93	91	87	91	89	91	88
Barley	100	91	89	107	93	86	94
Rye	97	86	92	114	88	69	85
Grain sorghums	91	69	80	105	89	94	100

[1] As percent of corn price.

Oats, barley, rye, and grain sorghums are used in varying quantities for purposes other than feed. For example, at times nearly two-thirds of the rye and over one-half of the barley goes into nonfeed uses.

Finally, these grains represent only a very small part of farmers' total cash income. In 1953 farmers obtained the following percentage of cash farm income from these feed grains: Oats, 0.75 percent; barley, 0.55 percent; grain sorghums, 0.30 percent; rye, 0.06 percent. The total for all of these amounted to less than 2 percent, namely, 1.66 percent of farmers' total cash income.

Mandatory price supports usually carry with them mandatory controls. In view of the patent unsoundness of the proposal, it is not surprising to see that it is put forward without any proposal for controls to keep supplies in line with demand.

INFORMED OPINION FAVORS FLEXIBLE SUPPORTS

The great majority of informed opinion favors flexible price supports. All of the Secretaries of Agriculture for the past 2 decades have recommended flexible supports.

The major farm organizations representing most of the farmers have rejected rigid supports as unsound.

Economists are practically unanimous that the long-run interests of farmers are harmed by rigid supports.

The thorough studies by Department of Agriculture experts in 1946, 1947, and 1948, and again in 1953 and 1954, came to the firm conclusion that rigid wartime supports designed to stimulate production for war needs were incompatible with a free peacetime economy.

The facts are well known to the farmers, the consumers, the taxpayers, and the Congress.

As the surplus situation proves, rigid price support amounts to price-fixing at the support level, misdirects the use of agricultural resources by maintaining an excess output, prohibits the proper flow of commodities into consumption, attracts additional imports of the goods in surplus, and prices American products out of the world market.

The House of Representatives just a few days ago rejected rigid supports by a decisive vote of 228 to 170. The Senate likewise should decisively discard rigid supports for five basic commodities, reject the proposed market-destroying increase in dairy supports, as well as reject the completely unrealistic rigid supports proposed for small grains.

Those subscribing to the attached minority views are as follows:

George D. Aiken.
Herman Welker.
Andrew F. Schoeppel.
John J. Williams.
Bourke B. Hickenlooper.
Spessard L. Holland.
Clinton P. Anderson.

SEPARATE VIEWS OF SENATOR WELKER WITH RESPECT TO WOOL

The great domestic wool-producing industry at present is in dire condition due to competition from wools imported from countries in which labor costs are much lower than in the United States. This industry which is so necessary to national defense should not be put on Government relief as provided by this bill, but should be put back on a sound basis by means of adequate tariff protection. These views, which are shared by the Wool Growers Association of my State, which ranks fourth in total wool products in the Nation, were fully stated prior to passage of S. 2911 (Congressional Record of April 26, 1954, p. 5173).

The Senator from Idaho remains opposed to these provisions, but in view of the fact that they have already been passed by the Senate, he feels that their inclusion in S. 3052 for House-Senate conference purposes is simply a necessary step in the legislative process.

HERMAN WELKER.

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