

HISTORY OF AGRICULTURAL PRICE-SUPPORT AND ADJUSTMENT PROGRAMS, 1933-84

INTRODUCTION

Many U.S. Department of Agriculture (USDA) programs, particularly those concerned with farm price-support and adjustment legislation, result from a series of interrelated laws passed by Congress since 1933. This review provides a history of how congressional legislation and programs have been modified for changing economic situations in the past half century.

ORIGIN OF ADJUSTMENT PROGRAMS

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

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

Farm journals and farm organizations had, since the 1920s, been advising farmers to control production on a voluntary basis. Attempts were made in some areas to organize crop withholding movements on the theory that speculative manipulation caused price declines. When these attempts proved to be unsuccessful, farmers turned to the more formal organization of cooperative marketing for staple crops. After voluntary organizations of wheat and livestock producers collapsed, farmers began campaigns for Government assistance in solving the farm problem.

A number of programs were proposed, but the one which gained widespread support became known as the McNary-Haugen Plan after it was introduced into Congress in 1924 by Senator Charles L. McNary of Oregon and Representative Gilbert N. Haugen of Iowa. The plan was first promoted by George N. Peek and Hugh S. Johnson, managers of the Moline Plow Company. Their company had failed because of the farm depression. As Peek said, "You can't sell a plow

to a busted customer." Both Peek and Johnson had worked in the War Industries Board during World War I and, based on this experience, felt Government action could provide economic stability. At the convention of the American Farm Bureau Federation in late 1921, Peek and Johnson presented a plan for selling farm products for domestic consumption at a fair exchange value and surplus products abroad at a world price. With modifications, the McNary-Haugen bill was before Congress from 1924 until May 23, 1928, when it was vetoed for the second time by President Coolidge.

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

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

A third plan, calling for Government to guarantee prices at cost of production plus fair profit, was introduced in early 1925 by Senator Lynn J. Frazier of North Dakota. This bill would have established a Federal agricultural marketing board to buy 90 percent of the amount of wheat, corn, and cotton deemed necessary for domestic consumption and to sell those products at cost of production plus fair profit. The bill died in the Senate committee. However, cost of production was demanded by the National Farmers Union and by the militant National Farmers Holiday Association which threatened, in the early 1930s, to call a nationwide farm strike to achieve cost of production.

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

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

By June 30, 1932, the board's efforts to stem the disastrous decline in farm prices had failed, mainly because of the worldwide nature of the depression and the board's inability to control production. In a special report to Congress in December 1932, board members recommended legislation which would "provide an effective system for regulating acreage or quantities sold, or both."

The groundwork for production control had been laid by the development of the voluntary domestic allotment plan. In fact, an economist of the Federal Farm Board had been working with M. L. Wilson of Montana State College, one of the developers and promoters of the plan and later Under Secretary of Agriculture, on the plan's final stages. As first proposed in 1926 and 1927, the "limited debenture" plan was a way to make the tariff effective in the United States without causing increases in production or without affecting world prices. The plan proposed making allotments to producers equivalent to their proportion of the crop sold for domestic use. Producers were to receive, in the form of debentures, the amount of the tariff less their share of necessary expenses. Harry N. Owen first presented the plan in 1926 in his journal, Farm, Stock, and Home. He drew upon ideas supplied by W. J. Spillman of USDA who developed the plan further in a book, Balancing the Farm Output, published in January 1927.

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

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

AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act, approved on May 12, 1933, aimed to restore farm purchasing power of agricultural commodities to the prosperous 1909-14 level. This goal became known as parity, a term first used in the Agricultural Adjustment Act of 1938. Parity seeks an equality of exchange relationship between agriculture and industry or between persons living on farms and persons not on farms. The 1909-14 period was chosen as the base because it was considered one of relatively normal relationships with prices not changing very rapidly. In 1933, the Secretary's economic advisers stated that the 1909-14 period was "one of considerable agricultural and industrial stability...with equilibrium between the purchasing power of city and country." It was "the most recent period when economic conditions, as a whole, were in a state of dynamic equilibrium."

Calculating parity prices may be illustrated by wheat, using the 1909-14 indexes prescribed by law from 1933 to 1948 (after 1948, the indexes were based on 1910-14). First it is necessary to determine the base price. The 1909-14 average farm price of wheat was 88.4 cents per bushel. Next, an index

is calculated of prices paid for goods and services used in production and in living in relation to the base period. More than 80 items were used for family living and almost 90 were used for farm production in calculating indexes when the 1933 legislation was passed. In each case, estimates had to be made of the quantities used. This information was combined into an index. On June 15, 1942, for example, the overall index was 152, which meant that farm commodity prices would have needed to be 152 percent of the prices prevailing in 1909-14 to have the same per unit purchasing power they had in 1909-14. The base period prices adjusted by the index of prices paid yield the parity price. In this case, 88.4 cents is multiplied by 1.52, giving 134.4 cents a bushel, the price that wheat would have to be to reach 100 percent of parity. Since the actual market price was 95.7 cents per bushel, parity for wheat on June 15, 1942, was 71.2 percent.

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

Congress simultaneously declared its intent to protect the consumers' interest by readjusting farm production to a level that would not increase the percentage of consumers' retail expenditures above the percentage returned to farmers in the prewar base period.

Wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products were designated as basic commodities in the original legislation. On April 7, 1934, the Jones-Connally Act expanded this list to rye, flax, barley, grain sorghum, peanuts, and cattle. Cattle producers opposed inclusion of cattle among the list of basic commodities in the original act; their efforts were concentrated on working out a marketing agreement with meat packers. But, the agreement was never completed. In 1934, with a record supply of breeding stock, cattlemen gave qualified support to including beef and dairy cattle among the basic commodities but they opposed use of a processing tax. As a result, the Jones-Connally Act of April 7, 1934, included cattle.

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

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

establishment of a system of sugar quotas for the amount of sugar that could be sold in the continental United States.

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

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

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

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

In 1933, the situation confronting cotton farmers demanded immediate and drastic action. The price of cotton had fallen from 29 cents a pound in 1923 to 6.5 cents in 1932. Increased cotton acreage and favorable weather threatened to drive prices even lower and to increase a carryover which had already reached three times normal size. A cotton plow-up campaign was announced June 19, 1933, with the objective of eliminating, during the first year, 10 million acres or 25 percent of the growing crop. This objective was reached.

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

However, more direct and drastic action on cotton was demanded and secured before the first crop under the acreage reduction program could be marketed. A sharp decline in cotton prices, following a short speculative boom and the serious financial condition of farmers, led to demands during September 1933

that the currency be inflated and that the minimum price of cotton be fixed at 15 cents a pound. The administration responded with a nonrecourse loan of 10 cents a pound on the 1933 cotton crop. The loan rate, raised to 12 cents for 1934-35, was dropped to 10 cents for 1935-36, supplemented by price adjustment payments.

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

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

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

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

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

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

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

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

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

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

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

Tobacco growers, who had signed Government contracts, like cotton program participants, wanted to insure that noncooperators could not profit from higher prices on unrestricted production. These growers secured enactment of the Kerr-Smith Tobacco Control Act of June 28, 1934, which provided a mandatory tax upon the sale of all tobacco harvested in the crop year 1934-35 except Maryland, Virginia sun-cured, and cigar leaf tobaccos. Tax-payment warrants were to be issued by the Secretary of Agriculture to contract signers. Upon a favorable vote of producers who controlled three-fourths of

the land, the program could be applied to any type of tobacco for the 1935-36 marketing year. Growers of the types of tobacco to which the tax was applied during the 1934-35 crop year voted overwhelmingly for its continuance and, in February 1935, growers of cigar-filler and binder tobacco voted to have the tax applied to their crops.

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

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

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

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

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

By October 1933, Corn Belt farmers were demanding an emergency program for corn to raise prices before the longer time corn-hog adjustment program could become effective. Sentiment for price fixing was strong in the corn area where the Farmers' Holiday Association was threatening a national strike. The National Corn-Hog Producers' Committee of Twenty-five had recommended negotiation of a marketing agreement to insure parity prices for hogs. Farm

pressure for price fixing brought about a demand for Government pegging of prices at parity levels by 10 Midwestern Governors meeting in Des Moines on October 31, 1933. Corn Belt farmers pressed the administration to provide as favorable treatment for corn as had been provided for cotton. The Illinois Agricultural Association argued that corn loans were necessary to prevent the greater part of the benefits of the acreage reduction program from being realized by the grain trade.

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

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

The Emergency Purchase Program and corn loans above market prices were regarded as temporary emergency measures to increase farm prices and purchasing power until the longer time adjustment program could raise farm prices and incomes. Participants in the program were required to cut their corn acreage below the average acreage planted in 1932 and 1933 by not less than 20 percent. In return, growers were paid 30 cents per bushel on their average yield on the acreage taken out of corn up to 30 percent of the base acreage. They were also required to cut the number of litters and the number of hogs produced for market at least 25 percent in return for payments of \$5.00 per head for the hogs the producer was authorized to raise. The provisions on corn were later modified to adjust to the drought emergency. The contracts for 1935 required a 10-percent reduction in corn acreage and hog production from the amount in the base period.

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

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

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

USDA surplus disposal programs were initiated as an emergency supplement to the crop control programs. The Federal Surplus Relief Corporation, later named the Federal Surplus Commodities Corporation, was established on October 4, 1933, as an operating agency for carrying out cooperative food purchase and distribution projects of USDA and the Federal Emergency Relief Administration. Processing tax funds were used to process heavy pigs and sows slaughtered during the emergency purchase program, which was part of the corn-hog reduction campaign begun during November 1933. Pork products were distributed to unemployed families during 1934 and early 1935 as was meat from other animals purchased with special drought funds. Other food products purchased for surplus removal and distribution in relief channels included butter, cheese, and flour.

The amendments of August 24, 1935, to the Agricultural Adjustment Act had a number of important provisions which remained in effect after the production control provisions of the act were invalidated. One of the most important of these, known as Section 32, set aside 30 percent of the customs receipts for promoting exportation and domestic consumption, encouraging the use of surplus commodities by diverting them to industrial or other use, and financing adjustments in the production of agricultural commodities.

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

The Hoosac-Mills decision of the Supreme Court invalidated the production control provisions of the Agricultural Adjustment Act of May 12, 1933, on the grounds that the Federal Government had no right to regulate the local business of farming and that the processing tax was for the benefit of a particular group rather than to promote the general welfare. On January 6, 1936, programs which were carried out through contracts between the Federal Government and individual farmers, and financed by processing taxes, were abruptly halted.

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

SOIL CONSERVATION AND DOMESTIC
ALLOTMENT ACT OF 1936

The Supreme Court's ruling against the production control provisions of the Agricultural Adjustment Act left USDA without a viable adjustment program. Moreover, the likelihood of overplanting for the coming year and depressed prices presented Congress and USDA with the problem of finding a new approach before the spring planting season. USDA officials and representatives of farmers recommended to Congress that farmers be paid for voluntarily shifting acreage from soil-depleting surplus crops into soil-conserving legumes and grasses. The Soil Conservation and Domestic Allotment Act, approved on February 29, 1936, combined the objective of promoting soil conservation and profitable use of agricultural resources with that of reestablishing and maintaining farm income at fair levels. For the first time, the goal of income parity, as distinguished from price parity, was introduced into legislation. It was defined as the ratio of purchasing power of the net income per person on farms to that of the income per person not on farms which prevailed during the August 1909-July 1914 period.

President Roosevelt stated a third major objective: "the protection of consumers by assuring adequate supplies of food and fiber." Under a program launched on March 20, 1936, farmers were offered soil-conserving payments for shifting acreage from soil-depleting crops to soil-conserving crops. Payments for seeding soil-building crops on cropland and for carrying out approved soil-building practices on cropland or pasture were also offered.

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

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

SUGAR ACT OF 1937

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

The Sugar Act of 1937 was in many respects similar to the Jones-Costigan Act. An excise tax payable into the general fund of the Treasury, was substituted

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

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

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

AGRICULTURAL MARKETING AGREEMENT ACT OF 1937

After the Supreme Court's action in 1936, Congress passed legislation in 1937 to clarify the legal status of marketing agreements and orders, first authorized by the Agricultural Adjustment Act of 1933. Marketing agreements and orders were different for two general types of commodities (milk and other commodities) because of the great difference in industry marketing problems.

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

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

AGRICULTURAL ADJUSTMENT ACT OF 1938

In the summer of 1936, USDA officials and farm organization representatives began working on plans for new legislation to supplement the Soil Conservation and Domestic Allotment Act. The Agricultural Adjustment Act of 1938, approved February 16, 1938, combined the conservation program of the 1936 legislation with new features designed to meet drought emergencies as well as price and income crises resulting from surplus production. This law used the term

"parity" for the first time in legislation, referring to parity prices and parity income for the producers of cotton, wheat, corn, tobacco, and rice.

The Soil Conservation and Domestic Allotment Act of 1936 was reenacted with some modifications as a major part of the new legislation. Modifications included provisions for acreage allotments for corn, cotton, rice, tobacco, and wheat; specific direction with respect to the establishment and use of State and local committees; provisions to safeguard tenants' share of payments; specific provisions on the allocation of payments; provision for increasing the size of payments on small farming operations; limitation of \$10,000 on the size of payments; and a special amendment for the protection of dairy, livestock, and poultry producers from undue competition resulting from the conservation payment program. In this act (Title III), Congress created the first comprehensive legislation dealing with price support. To avoid further objections by the Supreme Court, marketing control was substituted for direct production control, authority was based on congressional power to regulate interstate and foreign commerce, and processing taxes were dropped.

The legislation's new features included mandatory nonrecourse loans for cooperating producers of corn, wheat, and cotton under certain supply and price conditions (if marketing quotas had not been rejected) and loans at the option of the Secretary of Agriculture for producers of other commodities; marketing quotas to be proclaimed for corn, cotton, rice, tobacco, and wheat when supplies reached certain levels; referendums to determine whether the marketing quotas proclaimed by the Secretary should be put into effect; crop insurance for wheat; and parity payments, if funds were appropriated for producers of corn, cotton, rice, tobacco, and wheat, in amounts which would provide a return as nearly equal to parity as the available funds would permit. These payments were to supplement and not replace other payments.

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

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

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

Agricultural Adjustment Administration had responsibility for carrying out the crop insurance program.

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

To avert another depression, which was threatening to engulf agriculture and other economic sectors in the Nation, USDA officials moved quickly to activate the new legislation. While acreage allotments were in effect for corn and cotton harvested in 1938, the legislation was too late for acreage allotments to be effective for wheat harvested in 1938, because most of this wheat (winter) had been seeded in the fall of 1937. Wheat allotments were used only for calculating benefit payments. Marketing quotas were in effect during 1938 for cotton and for flue-cured, burley, and dark tobaccos. Marketing quotas could not be applied to wheat since the act prohibited their use during the 1938-39 marketing year, unless funds for parity payments had been appropriated prior to May 15, 1938. Supplies of corn were under the level which required proclamation of marketing quotas.

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

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

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

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

Without marketing quotas, flue-cured tobacco growers produced a recordbreaking crop and, at the same time, the growers faced a sharp reduction in foreign markets due to the withdrawal of British buyers about 5 weeks after the markets opened. The loss of outlets caused a shutdown in the flue-cured tobacco market. During the crisis period, growers approved marketing quotas for their 1940-41 crop, and the CCC, through a purchase and loan agreement, restored buying power to the market.

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

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

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

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

Beginning in 1933, USDA had been developing new programs to dispose of surplus food and simultaneously raise the nutritional level of low-income consumers. The direct distribution program, which began with the distribution of surplus pork in 1933, was supplemented by a nationwide school lunch program, a low-cost milk program, and a food stamp program. The number of schools participating in the school lunch program reached 66,783 during 1941. The food stamp program, which reached almost 4 million people in 1941, was discontinued on March 1, 1943, because of the wartime development of food shortages and relatively full employment.

WARTIME MEASURES

The large stocks of wheat, cotton, and corn which had resulted from CCC takeover of defaulted price support loans became a military reserve of crucial importance after the United States entered World War II. These stocks had brought criticism to the ever-normal granary concept; their management had been complicated by such legislative barriers as a minimum national allotment of 55 million acres for wheat, restrictions on sale of CCC stocks, and the legislative definition of farm marketing quotas as the actual production or normal production on allotted acreage. These concerns changed during the war to concern about increasing production to meet war and postwar needs.

On December 26, 1940, USDA asked farmers to revise plans and to have at least as many sows farrowing in 1941 as in 1940. Following passage of the Lend-Lease Act on March 11, 1941, Secretary of Agriculture Claude R. Wickard announced, on April 3, 1941, a price support program for hogs, dairy products, chickens, and eggs at a rate above market prices. Hogs were to be supported at not less than \$9 per hundredweight.

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

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

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

The rate of support was raised to not less than 90 percent of parity for corn, cotton, peanuts, rice, tobacco, and wheat, and for the Steagall nonbasic commodities, by an amendment to the Emergency Price Control Act of 1942, approved on October 2, 1942. However, the rate of 85 percent of parity could be used for any commodity if the President should determine the lower rate was required to prevent an increase in the cost of feed for livestock and poultry and in the interest of national defense. This determination was made for wheat, corn, and rice. Since the price of rice was above the support level, loans were not made. The following nonbasic commodities were entitled to 90 percent of parity: manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, Irish potatoes, and sweet potatoes. Under the provisions of this legislation, the supports for both basic and nonbasic commodities continued for 2 years after the declaration of the end of hostilities. In all, by the mid-1940s, well over 100 commodities were being supported.

The price support rate for cotton was raised to 92.5 percent of parity and for corn, rice, and wheat to 90 percent of parity by the Stabilization Extension Act of 1944. Since the price of rice was far above its support level, loan rates were not announced. The Surplus Property Act of October 3, 1944, raised the price support rate for cotton to 95 percent of parity with respect to crops harvested after December 31, 1943, and those planted in 1944. CCC purchased cotton at the rate of 100 percent of parity during 1944 and 1945.

In addition to price support incentives for the production of crops needed for lend-lease and for military use, USDA gradually relaxed penalties for exceeding acreage allotments, provided the excess acreage was planted to war crops. In some areas during 1943, deductions were made in adjustment payments for failure to plant at least 90 percent of the special war crop goals. Marketing quotas were retained on wheat until February 1943. With the discontinuance of marketing quotas, farmers in spring wheat areas were urged to increase wheat plantings whenever the increase would not interfere with more vital war crops. Quotas were retained on cotton until July 10, 1943, and on fire-cured and dark air-cured tobacco until August 14, 1943. Quotas for peanuts were suspended for the 1943 crop, and none were proclaimed until 1948. With controls removed, the adjustment machinery was used to secure increased production for war requirements and for postwar needs of people abroad.

Legislation approved on July 28, 1945, required that the support rates on fire-cured tobacco be 75 percent of the rate for burley and the support rate for dark air-cured and Virginia sun-cured tobacco be 66.4 percent of the burley rate.

POSTWAR PRICE SUPPORTS

As the end of the war approached, farmers and Government officials began to worry again that high wartime production and productivity gains from greater use of fertilizers and machinery would mean a return to surpluses and depressed prices. The Steagall Amendment guaranteed continued high price supports for 2 years after the official cessation of hostilities, a declaration which President Truman made on December 31, 1946. Without a change in the law, price support levels for basic commodities after that date would drop back to a range of 52 to 75 percent of parity as provided in the Agricultural Adjustment Act of 1938, with only discretionary support for nonbasic commodities.

Two opposing viewpoints developed about the direction price supports should take. One was to extend the wartime system of high, fixed price support; the other was to return to the prewar system of flexible price support in accordance with existing supplies. The Agricultural Act of 1948, as finally passed, was a compromise between the viewpoints expressed by leaders of the two groups, Representative Clifford R. Hope of Kansas and Senator George D. Aiken of Vermont. Price supports were, in general, to remain high and fixed under the first year of the act; thereafter they would be flexible and mostly lower. Title I continued mandatory price support at 90 percent of parity for the 1949 crops of wheat, corn, rice, peanuts used as nuts, cotton, and tobacco marketed before June 30, 1950, if producers had not disapproved marketing quotas. Similar support was also provided for hogs, chickens, eggs, and milk through December 31, 1949. Potatoes harvested before January 1, 1949, were to be supported at 90 percent of parity, while the following year the rate was to be not less than 60 percent of parity nor more than the 1948 level. Some

Steagall Amendment commodities which had fallen under the guarantee of 90 percent of parity for 2 years after the war--including beans, dry peas, turkeys, soybeans for oil, flaxseed for oil, peanuts for oil, American-Egyptian cotton, and sweet potatoes--were to be supported under the Agricultural Act of 1948 at not less than 60 percent of parity. Wool, which under an August 5, 1947, law had already had its 1946 average support levels of 42.3 cents per pound extended to the end of 1948, received further support at that level through June 30, 1950. If funds were available, price support was authorized for additional commodities through December 31, 1949, at a fair relationship with other commodities receiving support. The act permitted the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for price support.

In addition, the parity formula was revised in 1948 to make parity prices dependent upon the relationships among farm and nonfarm prices during the most recent 10-year period. This revision was made to adjust for changes in productivity and other factors which had occurred since the base period 1910-14. Its effect was to lower the parity price for some basic commodities while raising it for livestock, rice, and certain varieties of tobacco. The new parity formula was to be phased in gradually starting January 1, 1950; commodities due to fall in parity would be limited to a 5-percent annual drop until the new parity level was reached.

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

Debate on postwar policy continued in 1949. A USDA seminar was organized early in the year to study alternative price support programs. As a result of this review and other studies, an innovative set of proposals evolved which became known as the Brannan Plan, named after Secretary of Agriculture Charles F. Brannan.

The Brannan Plan, presented to a joint session of the House and Senate Committees on Agriculture on April 7, 1949, would have allowed prices to be determined by the marketplace while protecting farm income through payments similar to the deficiency payments of the 1938 Act. The Brannan Plan proposed: (1) the use of an income standard, based on a 10-year moving average beginning with the years 1938-47, rather than parity as a method of computing price-support levels for farm products; (2) support for major products, called Group I commodities, at full income standard levels; (3) support for the incomes of growers of perishable commodities by direct Government payments equal to the difference between the prices received in the market and the support price established; (4) restriction of supports to large-scale farmers to what an efficient family farm unit could produce; and (5) requirement of compliance with approved conservation practices and production or marketing controls in order to receive benefits. The Brannan Plan, though widely debated, was not adopted by Congress, largely because of its projected cost and because of the opposition of larger farmers to limits on supports.

The Agricultural Act of 1949, approved October 31, 1949, was a further victory for supporters of high, fixed price supports. Instead of shifting to flexible supports as planned in the Agricultural Act of 1948, the 1949 Act continued support prices another year for basic commodities at 90 percent of parity in

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

Price support for wool, mohair, tung nuts, honey, and Irish potatoes was mandatory at levels ranging from 60 to 90 percent of parity. To assure an adequate supply, whole milk and butterfat and their products were to be supported at a level between 75 and 90 percent of parity. Price support was to be carried out by loans on, or purchases of, milk and products of milk. Wool was to be supported at between 60 and 90 percent of parity in order to encourage an annual production of 360 million pounds of shorn wool.

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

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

The Agricultural Act of 1949 amended the modernized parity formula of the Agricultural Act of 1948 to add wages paid hired farm labor to the parity index and to include wartime payments made to producers in the prices of commodities and in index of prices received. These changes generally meant higher parity prices. To ease the transition to the new formula, the effective parity price for basic commodities through 1954 could be either the old or the modernized version, whichever was higher. For many nonbasic commodities, the modernized parity price became effective in 1950.

The act also set up loans to cooperatives for the construction of storage facilities, made certain changes with respect to acreage allotment and marketing quota provisions, and directed that Section 32 (see page 10) funds be used principally for perishable, nonbasic commodities. The act added some new quota provisions on the sale of commodities held by the CCC. As before, prices were to be supported by loans, purchases, or other means. The Agricultural Act of 1949 became the last major agricultural act not to have an expiration date. Though amended often since its passage, it, along with the Agricultural Adjustment Act of 1938, still constitutes the basic authority for Government price-support operations.

Under authority of the Agricultural Act of 1949, price supports for basic commodities were maintained at 90 percent of parity through 1950. Supports for nonbasic commodities were generally at lower levels during 1949 and 1950 than in 1948 whenever this was permitted by law. Price supports for hogs, chickens, turkeys, extra-long staple cotton, dry edible peas, and sweet potatoes were discontinued in 1950.

In 1949, a new effort was launched to stabilize overseas wheat trade in the form of the International Wheat Agreement, approved by the Senate on June 13, 1949. The agreement, between the governments of 4 major wheat exporting countries (Australia, Canada, France, and the United States) and 37 wheat importing countries, involved annual trade in 456 million bushels of wheat over a 4-year period beginning August 1, 1949. Prices were established within

a fixed range. The agreement was renewed periodically in the 1950s through 1970s and gradually more countries joined on the export side, with proportional increases in the quota. By the fall of 1960, 34 importing and 9 exporting countries were participating.

Meanwhile, important developments were occurring in the marketing of sugar. The Sugar Act of 1948 reenacted the import quota system of 1937 and became the basic legislation on the subject until it expired in 1974. Domestic sugar was assigned fixed tonnage quotas by area instead of percentages of the general quota and mainland areas received a proportionately larger share than before. A new International Sugar Agreement was concluded in 1953 based on the 1937 agreement. The quota and price provisions were revised by the adoption of a protocol in 1956 for the years 1957 and 1958. A revision was made in 1958 which adjusted upward the total basic export quotas. As a result of declining sugar prices in 1959, the International Sugar Council reduced permitted marketings to 80 percent of the basic quotas. An adjustment in 1960 permitted marketings at 85 percent of basic quotas. U.S. imports from Cuba were terminated in 1960. Due to disagreements with Cuba, the quota system was allowed to expire in 1961. The ISA was revised and reactivated on January 1, 1969, for 5 years.

KOREAN WAR

The outbreak of the Korean War on June 25, 1950, caused a further postponement in the implementation of flexible price supports as the Department moved to insure that production would remain high during the war. Secretary Brannan used the national security provision of the act to keep price support levels at 90 percent of parity for all basic commodities except peanuts. The price support rate for peanuts was raised to 90 percent for 1952. Because of the war, neither acreage allotments nor marketing quotas were in effect for the 1951 and 1952 crops of wheat, rice, corn, or cotton. Allotments and quotas were in effect for peanuts and most types of tobacco. The Defense Production Act of 1950, which authorized price controls, made an important concession to agriculture by requiring that, if controls were put on farm prices, they could be no lower than full parity.

Prices of oats, barley, rye, and grain sorghums were supported at 75 percent of parity in 1951 and 80 percent in 1952. Naval stores, soybeans, cottonseed, and wool were supported both years at 90 percent, while butterfat was increased to 90 percent for the marketing year beginning April 1, 1951. Price support for potatoes was discontinued in 1951 in accordance with a law of March 31, 1950, which prohibited price support on the 1951 and subsequent crops unless marketing quotas were in effect. Congress never authorized the use of marketing quotas for potatoes. On March 28, 1952, Congress repealed the authorization to market peanuts for oil in excess of marketing quotas without paying a penalty.

The Korean War strengthened the case of congressional leaders who did not want flexible price supports to become effective for basic commodities. Legislation of June 30, 1952, to amend and extend the Defense Production Act of 1950, provided that price support loans for basic crops to cooperators should be at the rate of 90 percent of parity, or at higher levels, through April 1953, unless producers disapproved marketing quotas.

The period for mandatory price support, at 90 percent of parity for basic commodities, was again extended by legislation approved on July 17, 1952. The