CHAPTER II

Chapter II

Income and Abundance

Background

When Lyndon B. Johnson became President, the Department was reappraising its agricultural adjustment and price support programs. On May 21, 1963, wheat farmers had voted against acreage allotments. This was the most severe blow the system had suffered since it had become law in 1938. The defeat was generally credited to the strong opposition of the American Farm Bureau Federation, the Nation's largest general farm organization. 1/

The plan which the farmers disapproved had provided that acreage allotments could be set by the Secretary as low as necessary to limit production to the amount of wheat needed. Penalties could be imposed for overplanting. Wheat for domestic human consumption would be supported between 65 and 90 percent of parity (the amount arrived at by calculating the ratio between prices farmers received for their products and prices farmers paid for the goods they bought over a specified time period in the past). When compulsory allotments were disapproved, farmers were left, under existing legislation, with a plan whereby those farmers voluntarily complying with allotments would have their wheat prices supported at only 50 percent of parity. This meant that the support price would drop

---

1/ Washington Post, May 22, 1963; and American Farm Bureau Federation, Official News Letter, May 27, 1963.

from $2.00 a bushel to $1.25 a bushel. The Department's first reaction was that this should be permitted to happen--that the farmers had made their choice. 1/

By October 22, 1963, Secretary Freeman was able to report, after a series of meetings held in all parts of the United States, that four out of five farmers recognized the need for some kind of wheat program. The problems lay in obtaining some agreement as to the type of program and then securing the support of the Congress for it. 2/

A number of wheat bills had been introduced into Congress. There was a fear in some quarters that a large decline in farm income--estimated at $700 million--would start a recession that would offset any stimulus to the economy from the cut in taxes. Thus, by December 2, 1963, the Secretary was ready to suggest to the President that the Administration support a voluntary program, similar to a proposal of Senator George McGovern, which would not be excessively costly, but which would substantially increase the incomes of wheat farmers. At the same time, two different cotton price support bills were working their way through the Congress. If either was to pass, it would need votes that might be obtained from those interested in wheat--if the two commodities were to be put together in a single bill. 2/

1/ Wayne D. Rasmussen and Gladys L. Baker, "A Short History of Price Support and Adjustment Legislation and Programs for Agriculture," Agricultural Economics Research, Vol. 18, p. 77 (July 1966). See also: U. S. Department of Agriculture, "Statement by Secretary Freeman on Wheat Referendum," May 22, 1963.

2/ U. S. Department of Agriculture, Press release 344-63, Oct. 22, 1963.

3/ Memorandum to the President from the Secretary of Agriculture, Dec. 2, 1963, Dec. 3, 1963, and Dec. 6, 1963. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

Presidential Recommendations, 1964

The Secretary conferred with President Johnson on the wheat, cotton, and beef problems on December 4, 1963. The President directed the Secretary to procede with plans for cotton and wheat legislation, subject always to the need for keeping down costs. 1/ Within a week, newspaper accounts were saying that the President would shortly send a new wheat bill to the Congress. 2/

On December 17, 1963, the Department's Advisory Committee on Feed Grains and Wheat recommended that the Secretary of Agriculture press for quick legislative enactment of a voluntary wheat program to avert a sizable drop in farm income. The Committee favored a voluntary program operated through a system of marketing certificates, rather than a system of compensatory payments. 3/

On December 18, 1963, the President met with the leaders of nine major farm groups. He asked them to come forward with recommendations for a general farm bill and for poverty legislation. Then on December 17, 1963, the President and the Secretary of Agriculture discussed the

---

1/ Memorandum of Orville L. Freeman for Files, Dec. 4, 1963. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

2/ Wall Street Journal, Dec. 11, 1963.

3/ U. S. Department of Agriculture, Press release 4265-63, Dec. 17, 1963.

comprehensive price support bill to be submitted to the Congress and reviewed results of meetings with farm leaders. 1/

On January 7, 1964, the Secretary of Agriculture testified before the Wheat Subcommittee of the House Committee on Agriculture that he believed action on wheat was essential. He recommended a voluntary program, which would incorporate the certificate system as the plan least costly to the taxpayer. 2/

Meanwhile, the future for cotton in early 1964 was bleak. Programs operating under existing legislation were not satisfying the needs of the cotton grower, the cotton handler, the textile mills, or the consumer. Because of the two-price system then in effect, domestic cotton prices were much higher than world prices, and U. S. textile mills were paying more for cotton than their foreign competitors.

Record yields in 1963, averaging 60 pounds over the previous year, combined with a continuing loss of markets as domestic cotton products were displaced by imports and other fibers, caused a sharp rise in the inventory held by the Commodity Credit Corporation (which makes recourse loans on specified commodities at announced rates). The cotton carryover was estimated to be enough to supply domestic needs for well over a year. 3/

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. I, pp. 68, 88.

2/ "Testimony of the Secretary of Agriculture... Jan. 7, 1964." In: Files, Agricultural History Branch, Economic Research Service, U. S. Department of Agriculture.

3/ James S. Ward, "President Johnson and the American Farmer," Report of the Agricultural Stabilization and Conservation Service. In: Files, Agricultural History Branch, Economic Research Service.

The President, on January 20, 1964, in his annual message to the Congress on the Economic Report, said: "We need improved commodity legislation this year for many of our major commodities." 1/

Meanwhile, a message on agriculture had been drafted in the Department for White House consideration. After careful consideration and revision, both in the White House and the Department, it was sent by the President to the Congress on January 31, 1964. 2/

The message emphasized but was not confined to commodity programs. The President stated that the past programs had served us well, but were in need of improvement. As he said, "New conditions arising from the technological revolution in agriculture present a special challenge--a challenge based upon the problems of abundance rather than scarcity.... Those commodities requiring immediate attention are cotton, wheat, dairy products, sugar and potatoes."

Cotton-Wheat Act of 1964

The Cotton-Wheat Act, approved by the President on April 11, 1964, was the most important farm legislation of the year. It embodied the basic recommendations of the President for the two commodities, and, by bringing them together, provided a stronger base for passage by the Congress.

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. I, p. 162.

2/ White House, Message on Agriculture, press release, Jan. 31, 1964. This document is not included in Public Papers of the Presidents.

The President saw it as bringing new hope, new encouragement and new prosperity to the farms of America. 1/

Briefly, the law provided for cotton: (1) A 2-year program applicable to the 1964 and 1965 crops of upland cotton. (2) A basic price support for the 1964 crop at 30 cents a pound and for the 1965 crops at a level between 65 and 90 percent of parity. (3) Additional price support for growers who participated by producing within their domestic allotments. (4) A national domestic allotment estimated as the acreage necessary to produce the amount of cotton required for domestic consumption each year. (5) A minimum 1964 farm domestic allotment for each farm, equal to the smaller of the effective farm acreage allotment (the regular allotment), or 15 acres. (6) An export market acreage for cotton under certain conditions. (7) A minimum price on Commodity Credit Corporation sales of cotton for unrestricted use of 105 percent of the basic loan rate, plus carrying charges. (8) Subsidy payments to domestic handlers or textile mills in order to bring the price of cotton consumed in the United States down to the export price. (9) Authority for the transfer of acreage from farms affected by natural disasters, where the allotments could not be planted.

The Cotton-Wheat Act set up a voluntary wheat-marketing certificate program for 1964 and 1965, under which farmers who complied with acreage

---

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1963-64, Vol. I, pp. 454-455; and 78 Stat. 173.

allotments and agreed to participate in a land-diversion program would receive price supports, marketing certificates, and land-diversion payments, while noncompliers would receive no benefits. Wheat food processors and exporters were required to make prior purchases of certificates to cover all the wheat they handled. Price supports, including loans and certificates, for the producer's share of wheat estimated for domestic consumption (in 1964, 45 percent of a complying farmer's normal production) would be set from 65 to 90 percent of parity. The actual figure in 1964 was $2 a bushel, about 79 percent of parity. Price supports, including loans and certificates, on the production equivalent to a portion of estimated exports (in 1964, also 45 percent of the normal production of the farmer's allotment) would be from 0 to 90 percent of parity. The export support price in 1964 was $1.55 a bushel, about 62 percent of parity. The remaining wheat could be supported from 0 to 90 percent of parity; in 1964 the support price was at $1.30, about 52 percent of parity. Generally, price supports through loans and purchases on wheat were at $1.30 per bushel in 1964, around the world market price, while farmers participating in the program received negotiable certificates which the Commodity Credit Corporation agreed to purchase at face value to make up the difference in price for their share of domestic consumption and export wheat. The average national support through loans and purchases on wheat in 1965 was $1.25 per bushel.

Although the President had proposed legislation for dairy products, sugar, and potatoes, Congress did not pass it in 1964.

Presidential Recommendations, 1965

The lack of action by the Congress in 1964 on several commodities and problems which arose, particularly with cotton, in administering the Cotton-Wheat Act, led the Secretary of Agriculture to urge the President to send another agricultural message and related legislation to Congress. The Secretary stated that the message called for a renewed emphasis on programs to bring full economic opportunity to rural America, and for a "continuation of our basic commodity price support and production adjustments designed to improve their effectiveness, reduce their costs, and to continue to align them with our international trade objectives." 1/

The President recommended in his message, sent to Congress on February 4, 1965, that the voluntary feed grain and wheat programs be extended, that the cotton program be extended and improved, that the tobacco program be reappraised, that the rice program be amended, and that the Wool Act be extended. He called the attention of Congress to the problems faced by livestock producers. He also recommended that acreage allotments be made transferable by lease or sale to family farmers in the same state. As discussed elsewhere, the President recommended the establishment of a long-range cropland adjustment program, a reserve stock

---

1/ Memorandum to the President from the Secretary of Agriculture, Nov. 19, 1964; and Memorandum to William Moyers and others from the Secretary of Agriculture, Jan. 22, 1965. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

program, and the expansion of agricultural trade. He emphasized plans to gear Food for Peace programs to the needs of recipient countries and their economic development programs. 1/

Draft legislation embodying the proposals in the President's Message was sent to President Johnson on March 15, 1965, with the recommendation that it be sent to the Congress. The Secretary of Agriculture urged that the Congress be asked to extend the commodity programs for four years, rather than two. He pointed out that the Executive Office agencies strongly opposed a commodity reserves provision in the bill, but that the Department favored it. Cotton promised to be the most difficult of the commodities. The proposal for certificates representing payments by processors on wheat and rice going into domestic use the Secretary pointed out, would be called a "bread tax." 2/

The President sent the legislation to the Congress on April 5, 1965. The White House version asked that the commodity programs be extended for two years rather than four. Cotton was not included. Rather, the President wrote, the cotton program was still under study and discussion with producers and the industry. 3/

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. I, pp. 139-148.

2/ Memorandum to the President from the Secretary of Agriculture, Mar. 15, 1965. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

3/ U. S. Congress, 89th, 1st sess., House of Representatives, Committee on Agriculture, Hearings...Wheat and Feed Grains...1965, pp. 119-145.

As the Secretary had suggested earlier, the cotton program required much study and consultation as the hearings continued and the bill was modified. The wheat users and others, as predicted, charged that the proposed certificate plan was a tax on bread. 1/

Within a matter of about six months, both the House and the Senate passed versions of the bill. The differences were reconciled in a joint conference, and accepted by both the House and the Senate as a four year legislative package. Finally, the President signed the Food and Agriculture Act of 1965 on November 4, 1965. 2/ As mentioned in an earlier chapter, both the President and the Secretary of Agriculture hailed the new law as a major step in the commodity programs. It marked the transition from compulsory programs with prices supported at high levels to voluntary programs with prices supported in relation to world market prices, supppemented by direct payments.

Food and Agriculture Act of 1965

Programs established by the Food and Agriculture Act of 1965 were in effect for four years, from 1966 through 1969. After approval of the plan in referendum, each dairy producer in a milk marketing area was to receive a fluid milk base, thus permitting him to cut his surplus production. The Wool Act of 1954 and the voluntary feed grain program begun in 1961 were extended through 1969.

1/ U. S. Congress, 89th, 1st Sess., Senate, Committee on Agriculture and Forestry, Hearings...Food and Agriculture Act of 1965, Part 2, pp. 1175-1216, 1281-1287.

2/ 79 Stat. 1187; Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. II, pp. 1095-1097.

The market price of cotton was to be supported at 90 percent of estimated world price levels, thus making payments to mills and export subsidies unnecessary. Incomes of cotton farmers were to be maintained through payments based on the extent of their participation in the allotment program, with special provisions for protecting the income of farmers with small cotton acreages. Participation was to be voluntary (although price support eligibility generally depended on participation) with a minimum acreage reduction of 12.5 percent from effective farm allotments required for participation on all but small farms.

The voluntary wheat certificate program begun in 1964 was extended through 1969 with only limited changes. The rice program was continued, but an acreage diversion program similar to wheat was to be effective whenever the national acreage allotment for rice was reduced below the 1965 figure.

The Act established a cropland adjustment program. 1/ The Secretary was authorized to enter into 5- to 10-year contracts with farmers calling for conversion of cropland into practices or uses which would conserve water, soil, wildlife, or forest resources, or establish or protect or conserve open spaces, national beauty, wildlife or recreational resources, or prevent air or water pollution. Payments were to be not more than 40 percent of the value of the crop that would have been produced on the land. Contracts entered into in each of the 4 fiscal years might not obligate more than $225 million per calendar year.

The applications of these provisions are discussed in subsequent sections of this chapter concerned with specific commodity programs.

Proposals and Legislation to 1968

Even as the legislators were giving final consideration to the act, a basically different proposal for a long-term policy for food and agriculture was under study in the Department. The proposal, which in one form or another goes back to the 1920's, was that funds being paid to farmers on condition that they divert cropland out of production, be used instead to pay the dollar costs of exporting an equivalent quantity of grain for sale for unconvertible currencies. The Secretary asked his closest advisors for an analyses of the propoaal. The responses, virtually without exception, were that the program was impractical. However, the Secretary believed that the ideas suggested might serve as a basis for internal criticism of Department programs. 1/

Although problems arose with specific commodities, and some legislation concerning them was proposed and passed, no major changes took place in legislation regarding the commodity programs as a whole from the passage of the Food and Agriculture Act of 1965 through the summer of 1968. Nevertheless, new ideas--or revisions of old--were stirring.

1/ Memoranda, the Secretary to John Schnittker (and others), Sept. 9, 1965 and Oct. 11, 1965. In: John A. Schnittker, Correspondence File, Lyndon Baines Johnson Library.

Recommendations of Task Force, 1965

On August 30, 1965, the President established a Task Force on Agriculture and Rural Life under the chairmanship of the Secretary of Agriculture. The Task Force included representatives from the Department of Health, Education and Welfare, the Department of Labor, the Office of Economic Opportunity, the Housing and Home Finance Agency and the Bureau of the Budget. A number of specific proposals were listed by the White House for study. These were aimed primarily at the betterment of rural life and attacking rural poverty. However, the committee, in its report, dealt with policies for commercial agriculture. 1/

Secretary Freeman sent the report of the Task Force to the White House on October 4, 1965. The Task Force recommended two policy goals for commercial agriculture: an abundant food supply for consumers for a declining share of take-home pay, and a program to enable farm families with adequate resources to earn parity of income. The means for meeting these goals included a full-employment economy and an organized market place, together with a system of programs for prices and income support, conservation and land use, and research and education. The committee pointed out that the price and income support programs were controversial,

---

1/ Memoranda, Joseph A. Califano, Jr., Special Assistant to the President, to Orville L. Freeman, Secretary of Agriculture, August 30 and 31, 1965. In: John A. Schnittker, Correspondence File, Lyndon Baines Johnson Library.

yet without them the net income of commercial farmers would drop to less than half of levels than current. 1/

The committee suggested that commodity programs should continue to operate within specific guidelines. At the same time, it suggested that with the new legislation which had been passed but not signed, no major restructuring of commodity price support programs was needed.

The specific guidelines proposed included effecting a desirable balance between supply and demand, thus avoiding costly accumulations of excess commodity stocks in government hands. The commodity programs should avoid higher government cost and lead eventually to lower costs, so that more resources could be directed toward more pressing problems. The government should encourage export trade for U. S. farm products. The nation should maintain adequate reserves to assure an abundant supply of farm products to meet forseeable domestic and foreign contingencies. Finally, the Department should assist producers in marketing arrangements which enhanced bargaining power and retained managerial control.

The Task Force recommended legislation to extend the certificate program principle in effect for wheat to rice, tobacco, and peanuts. It also recommended helping producer groups broaden legislation concerning marketing agreements, farm cooperatives and other farmer-operated marketing undertakings.

1/ Agriculture and Rural Life: The Decade Ahead, A Task Force Report on Programs and Policies, attached to Memorandum to Joseph A. Califano, Jr. from Orville L. Freeman, Oct. 4, 1965. In: John A. Schnittker, Correspondence File, Lyndon Baines Johnson Library.

Other Proposals

The continuing activities of some of the farm organizations in strengthening farmer cooperatives and the aggressive actions of the National Farmers Organization in threatening to and actually withholding farm products from market in an attempt to secure contracts from processors, emphasized the possibilities of legislation which would strengthen the bargaining power of farmers. Most of the activity in this area came from outside the Department. However, the suggestion had been mentioned in the Task Force Report, the Secretary of Agriculture endorsed the idea in general terms, studies were made in the Department of the various proposals and bills, and the President appointed an "off-the-record" task force to review the problem. This task force recommended broader legislative authority. 1/

Prospective record crops of wheat, soybeans, and feed grains, some declines in farm prices, and the virtual disappearance of Commodity Credit Corporation stocks, led the Department to propose purchases of commodities as national reserves. Such reserves would be insulated from the market, and would be held to meet weather risks in the United States and other countries, to assure adequate supplies for our commercial export markets, and to honor our export commitments under P. L. 480.

1/ Orville L. Freeman, "Two Ideas Whose Time Has Come," U. S. Department of Agriculture, Press release No. 3092-67, Sept. 29, 1967; and Memorandum, Bill Abbott to Mr. Califano, Dec. 21, 1967. In: John A. Schnittker, Correspondence Files, Lyndon Baines Johnson Library. See also: Memorandum, W. DeVier to Secretary Freeman (and others), Feb. 7, 1968. In: Files, Agricultural History Branch, Economic Research Service.

This idea had also been in the Task Force Report. Secretary Freeman proposed such legislation to the President and to the Director of the Bureau of the Budget on July 5, 1967. The proposal continued to be advocated by the Department. 1/

1/ Memoranda, to Charles L. Schultze, Director, Bureau of the Budget, from Orville L. Freeman, July 5, 1967, and to the Secretary from John A. Schnittker, Dec. 20, 1967. In: John A. Schnittker, Correspondence File, Lyndon Baines Johnson Library.

1968 Extension of Food and Agriculture Act

On February 27, 1968, President Johnson proposed a seven-point plan to the Congress, which included the new ideas. The seven points were: Permanent extension of the Food and Agriculture Act of 1965; continuation of the Food for Freedom (P. L. 480) program for 3 more years and ratification of the International Grains Agreement; creation of a National Food Bank--a commodity reserve of wheat, soybeans, and feed grains; new bargaining authority for the farmer; stronger regulatory programs to guard the farmer against fraud in the market; make more loan and other funds available to the small farmer; and continue emphasis on revitalizing rural America through comprehensive planning, more rapid community development, increase in authorization of funds for the Food Stamp Program, progress in rural housing, better utilization of natural resources, and further extension of rural electrification and telephones. 1/

Legislation to implement the President's recommendations, except for the extension of P. L. 480 (the Food for Freedom program), was in various stages of the legislative process when Congress adjourned on August 2, 1968, for the national political conventions. After debate over several matters, particularly as to extension of the act for four years, and adopting a limitation of 20,000 on payments which might be made to one farmer, the Senate and House agreed simply to extend all provisions of the 1965 act for one year. 2/

1/ 4 Weekly Comp. Pres. Doc. 364.

2/ Congressional Record, Sept. 25, 1968.

Organization for Income and Abundance

The Agricultural Stabilization and Conservation Service, established as a successor to the Commodity Stabilization Service on June 5, 1961, is responsible for the formulation and administration of programs in the general fields of production adjustment, conservation assistance, and price and market stabilization. It provides overall planning and administration for the price support, inventory management, procurement, disposal operations, and other programs of the Commodity Credit Corporation. The Administrator of the Agricultural Stabilization and Conservation Service reported to the Under Secretary of Agriculture as of August 1968.

The Commodity Credit Corporation, organized on October 17, 1933, under the laws of the State of Delaware, received a permanent Federal charter on July 1, 1948. 1/ It directs and finances some ASCS programs, including price support, storage facilities, surplus commodity disposal, and others. Its Board of Directors and officers are officials of the Department of Agriculture.

The Federal Crop Insurance Corporation is responsible for the development and administration of crop insurance programs to protect farmers against crop losses from causes beyond their control. It was created on February 16, 1938, as an agency of the Department of Agriculture by the Agricultural Adjustment Act of 1938. 2/

1/ Executive Order 6340, Oct. 16, 1933; and 62 Stat. 1070.

2/ 52 Stat. 31.

The Corporation is now under study by a group of Department officials and analysts, headed by Walter W. Wilcox, Director of Agricultural Economics. The group is attempting to determine a method by which the Corporation's service to farmers can be further expanded. 1/

In 1967, after much preliminary effort, the Secretary of Agriculture reported on the results of studies by Task Forces appointed to project what American agriculture might be in the year 2000. The first area with which he dealt was "Income and Abundance." 2/ Early in 1968, he outlined the future responsibilities of the Task Forces in the areas of policy and program development, planning, and coordination. 3/ The Secretary's Annual Report to the President, released in 1968 for activities taking place in 1967, was organized by Task Forces or major goals. However, while the Task Force for Income and Abundance has planning and reporting responsibilities, it does not have administrative responsibilities for carrying out programs.

Commodity Programs, 1964-1968 4/

Wheat. The 1964 wheat crop was handled under the new Wheat-Cotton Act. Marketing quotas were suspended, but a national quota,

---

1/ Morrie S. Hill, "Documented History of the Federal Crop Insurance Corporation from Nov. 1963 to the Present," July 19, 1969. In: Agricultural History Branch Files.

2/ Orville L. Freeman, Agriculture/2000, pp. 5-13.

3/ Memorandum, Secretary of Agriculture to the Under Secretary and others, Mar. 6, 1968.

4/ This section based on James S. Ward, "President Johnson and the American Farmer," Report of the Agricultural Stabilization and Conservation Service. In: Files, Agricultural History Branch, Economic Research Service.

for the purpose of establishing a domestic market certificate allocation, was set at 1,220 million bushels, and the acreage allotment at 49.5 acres. Because of increases for farms with allotments of less than 15 acres, the total of all farm allotments for 1964 was 53.3 million acres. As indicated earlier, 45 percent of a cooperating farmer's crop was estimated to be for domestic use and was supported at $2.00 a bushel, with a loan of $1.30 and a certificate valued at $0.70. The 45 percent estimated for export was supported at $1.55 a bushel, with a loan of $1.30 and a certificate valued at $0.25. Non-certificate wheat was supported at $1.30, by a loan for that amount.

The 1964 wheat program was not authorized by Congress until long after the winter wheat crop had been planted. Because of considerable overplanting and an increase in per acre yield there was an increase in production over the 1963 crop. However, stocks were reduced substantially along with a large decrease in program expenditures. Farm income from wheat sales dropped, but the loss was partially offset by certificate payments.

The program for the 1965 wheat crop was very similar to that for 1964. The major changes were to reduce the loan rate by five cents, increase the value of domestic and export certificates by five cents, reduce the amount of wheat eligible for certificates from 90 percent to 80 percent of production, eliminate land diversion payments for required diversion, and increase the land diversion payments for voluntary diversion. A farmer was permitted to substitute between wheat and feed grains so long as the total planted did not exceed the combined permitted acreages.

Wheat production under the 1965 program was up somewhat over the 1964 crop. The substitution of feed grain acreage for wheat acreage contributed to this increase along with increased yields. Program expenditures were down from the 1964 level. Stocks were down, largely as a result of an increase in exports. Wheat income to producers was up about $85 million over 1964. In 1965, about 52 percent of the eligible farmers signed up for the program, compared with 36 percent in 1964.

The 1966 program was carried out under the Food and Agriculture Act of 1965. The value of domestic certificates was set at 100 percent of July 1, 1966 parity ($2.57) less the loan rate ($1.25) or $1.32 per bushel. The domestic marketing allocation was 45 percent of each farmer's allotted acres times the projected yield for the farm. The total domestic certificate allocation was 505 million bushels. There was no export certificate allocation. Noncertificate wheat grown on allotted acres was supported by a loan of $1.25 per bushel. Substitution between wheat and feed grains was permitted. A producer had to set aside or divert an acreage equal to at least 15 percent of his acreage allotment to be eligible for domestic certificates. No payments were made on this required diversion, but payments were available, within specified limits, for additional acreage diverted.

Wheat production was down slightly in 1966 from 1965 as a result of a lower yield per acre. Stocks were reduced substantially even though exports of wheat were down from the record 1965 level. Program expenditures continued to go down, largely because of the reduction in the Commodity

Credit Corporation inventory and other operations. Because of a strong average market price and increased certificate payments, total wheat income to producers was up by about $525 million dollars during 1966. About 49 percent of the farmers eligible signed up for the program, a decrease of 3 percent from the preceding year.

The 1967 wheat program was about the same as the 1966 program except for a substantial increase in acreage allotments in view of larger prospective requirements. The allotment of 59.3 million acreas, announced on May 5, 1966, was a 15 percent increase over the 1966 allotment. This was increased on August 8, 1967, by 8.9 million acres to a total of 68.2 million acres, 16.6 million acres greater in 1966. The parity price on July 1, 1967, was $2.61 a bushel, which meant that the domestic certificate value was $1.36, with the loan value remaining at $1.25. Farmers were allocated certificates for 35 percent of the projected yield from alloted acres. There were no diversion requirements and no diversion payments. Again, export certificates were not issued.

Producers harvested about 9 million more acres in 1967 than in 1966. Production increased about 200 million bushels, but the anticipated increase in worldwide requirements did not materialize. Stocks increased by 120 million bushels, and United States market prices weakened. Increased production offset loss of income from lower prices and with an increase in certificate payments, total wheat income was increased by $27 million. Of farmers eligible, 49 percent enrolled in the program.

A wheat acreage allotment of 59.3 million acres was announced for 1968, down 13 percent from 1967. The loan rate continued at $1.25, while the value of producers' certificates was $1.38 per bushel. Farmers were to receive certificates for 40 percent of the projected yield from alloted acres. There were no diversion payments.

Feed Grains. The 1964-65 voluntary feed grains programs were carried forward under the Feed Grain Act of 1963. 1/ Corn, the most important feed grain, was to be supported at 65 to 90 percent of parity with part of the support price in the form of a direct payment. Other feed grains--barley, oats, rye, and grain sorghums--were to be supported at a percentage of the support for corn. Corn was supported at $1.25 a bushel in 1964 and 1965, including direct price support payments of 15 cents in 1964 and 20 cents in 1965. Producers were required to participate in an acreage diversion program as a condition of eligibility for price support.

Acreage diverted under the feed grains program increased from 24.5 million acres in 1963 to about 32.5 million in 1964 and nearly 35 million in 1965. Total payment increased from $846 million in 1963 to $1.2 billion in 1964 and $1.4 billion in 1965. Participation by farms increased from 37 percent of those eligible in 1963, to 39 percent in 1964 and 45 percent in 1965.

1/ 77 Stat. 44.

The Food and Agriculture Act of 1965 authorized a voluntary feed grain program for the 1966 through 1969 crops. It provided the Secretary with additional flexibility in planning programs. For example, the price support payment could be paid on any part of the permitted acreage, soybeans could be considered as feed grains for the making of price support payments, and inclusion of barley in the diversion program was optional with the Secretary.

Another important change was authorization to use a "projected yield" rather than a historical average--for use in calculating program payments. The projected yield was naturally higher, since feed grain yields had been trending upward rather sharply ever since the introduction of hybrids.

The national average corn yield for the 1959-63 period--used to calculate payments under the 1965 program--was 58 bushels per harvested acre. This was substantially below the actual corn yield for 1965. Program planners believed that use of historical yields were adversely affecting participation. The "projected yield" for the 1966 program was 72 bushels per acre, on a national average basis. (The actual yield turned out to be 72.3 bushels per harvested acre).

Other changes made it possible to make price support payments if the acreage were not planted to feed grains due to a natural disaster, providing the land was not planted to any income-producing crop, other than feed grains or soybeans. Also, planting 90 percent of the permitted acreage would be considered as 100 percent.

Barley was included in the 1966 diversion program, but it was not included in the 1967 or 1968 programs. By then barley stocks were close to desirable levels, and accumulation of surpluses did not appear likely in the absence of barley diversion.

Price support payments were made on 50 percent of the base acreage --regardless of the acreage diverted by a participant. Loan rates for corn and sorghums were reduced, since the Congress urged this and included special language on this point in the 1965 Act. However, total support for all feed grains was increased.

For the first time, required diversion was not eligible for payments --except to participants with bases of 25 acres or less, who generally diverted their entire base and received no price support payments.

Additional diversion was paid for at the 50 percent rate (regardless of the quantity diverted) and the average per-acre payment was higher than in 1965 due to the increased support level and higher yields used for payment calculation. Participation in the 1966 program was slightly below 1965 levels, but acreage diverted was approximately the same.

The 1967 program was approximately the same as the 1966 program, with one striking change. No provision was made for additional payment, except to small farms. The Secretary was under heavy pressure, from a variety of sources, to discontinue the diversion program entirely. Instead, he chose to provide for a limited diversion.

During the next 12 months certain events occurred which were not foreseen. The low level of feed grain stocks, coupled with a determined effort by a number of dedicated people to sharply increase food donations abroad, resulted in a bullish market for the 1966 crop. Market prices were very favorable at planting time.

Participation in the 1967 program, particularly in the Corn Belt, was substantially below preceding years, and acreage diverted was at an alltime low. A sharp increase in planted acreage, coupled with exceptionally good weather, resulted in a record feed grain crop in the United States. Record crops were also harvested abroad.

As a result of high U. S. prices and above average world supplies, U. S. exports of feed grains dropped sharply--from 29 million tons to 22 million tons. As a result, stocks at the beginning of the 1967-68 marketing year were higher than anticipated and prices for the 1967 crop were considerably below the high level of 1966. With substantial supplies still available abroad, it was expected that stocks would increase during 1967-68.

Returns to feed grain producers in 1966, including payments, exceeded those for the 1963 crop by nearly $1.3 billion--and 1960 returns by $2.6 billion. The difference would be even greater if recognition were given to the value of the 3.5 million estimated acres of wheat, and the million or more acres of soybeans produced on feed grain land in 1966--under provisions of the Food and Agriculture Act of 1965.

The season average price received for the 1966 corn crop was 13 cents a bushel higher than for the 1963 crop--and 24 cents above that for 1960. The price received for sorghums and oats were each about 4 cents a bushel higher than in 1963. For barley, the increase was about 15 cents. The 1966 prices for sorghums, barley and oats were $6\frac{1}{2}$ to 21 cents higher than in 1960.

It should be noted, however, that 1966 feed grain prices were higher than the supply-utilization situation warranted--largely as result of speculative factors in the market. The 1964-66 average price received for corn, though, was 8 cents higher than in 1963, and 19 cents higher than for 1960. Prices of other grains averaged proportionately higher for the period.

Investment by the Commodity Credit Corporation in feed grains at the end of the 1966-67 marketing year was about $1.7 billion less than at the end of the 1963-64 marketing year. During the period the 1961-66 programs were in effect, CCC investment in feed grains dropped by nearly $2.6 billion.

Results of the 1967 program are not yet available. However, returns and prices received will be below 1966 levels somewhat. Feed grain stocks and CCC investment in feed grains will be greater than at the end of the 1966-67 marketing year. The drop in prices and value of the crop will be greater than the supply-utilization situation warrants--just as those for 1966 were higher than warranted.

Corn prices may be below 1963 levels, but those for the other grains will probably be higher. All will be above 1960 levels. Total returns will be greater than for either the 1963 or the 1960 crop.

CCC's investment is likely to increase because of the heavy volume of 1967 grain placed under loan. CCC's inventory may increase slightly due to purchases. Practically no sales of CCC grain were made in 1967-68, since the minimum sales price was increased to 115 percent of loan, plus carrying charges, to support the market to the extend possible. Both CCC stocks and CCC investment at the end of the 1967-68 marketing year will still be far below both the 1963 and 1960 levels.

The 1968 program was announced on October 26, 1967. Its provisions and diversion goal for corn and sorghums was very similar to the 1966 program--barley is not included in the diversion program.

Approximately 1.5 million farms with a base acreage of nearly 77 million acres have signed up to participate in the program. They intend to divert about 34 million acres from corn and sorghums. Actual diversion will probably be somewhat less. In 1965 and 1966, actual diversion was about 2 million acres less than intended.

Feed grain yields are expected to be greater than for 1967 and this highlights one of the principal problems that made difficult the task of reducing feed grain stocks to desirable levels. The 1967 average yield for all feed grains--on a corn-equivalent basis--was 18½ bushels higher than the 1960 yield--an increase of about 45 percent in 7 years. Total utilization during the 1961-67 period (including exports) varied considerably from year to year--dropping from 1961 through 1964, peaking in 1965 and then dropping to lower levels for both 1966 and 1967. Utilization of the 1967 crop is expected to be 10-15 percent higher than for the 1960 crop.

While an accurate comparison is difficult to make, it is abundantly clear that the increases in yield have not been offset by equal increases in feed use. This problem will continue to haunt program planners in the foreseeable future. However, legislation as of August 23, 1968, provided a voluntary program for only the 1969 crop.

Soybeans. The main objectives of the price support program on soybeans in the 1960's have been to make possible the realization by farmers of the maximum income potential and to secure production sufficient to meet the rapidly increasing demand.

Crops from 1962 through 1965 were supported at $2.25 per bushel. Production rose from 555 million bushels in 1960 to 846 million bushels in 1965. Farm income rose from $1.18 billion to $2.15 billion.

It became apparent in 1964 and 1965 that the increase in production was not keeping pace with the growing demand. Accordingly, in 1966, the support price level was increased to $2.50 per bushel. This level was continued for the 1967 and 1968 crops. In addition, the Congress authorized the Secretary to permit the planting of soybeans on permitted feed grain acreage without loss of feed grain price support payments. This authorization was used for the 1966 and 1967 crops. Farmers planted in excess of a million acres of soybeans on such land each year. Production rose to 973 million bushels in 1967. Farm income for the crop reached $2,421 million.

The value of exports rose even more dramatically than production in the 1960's. In the 1961 fiscal year, soybean exports were valued at $344 million and the value of dollar exports of products (oil and meal) totaled $136 million. In the 1967 fiscal year, soybeans exports were valued at $767 million and products at $367 million--totaling more than a billion dollars.

Soybean production, which had tended to lag behind demand, moved ahead in 1967. Favorable production conditions prevailed in most of the major oilseed producing areas of the world. Russia expanded production of varieties of sunflower seed with high oil content. At the same time, good feed supplies contributed to expanded livestock and dairy production and to larger supplies of animal fats, primarily of butter, in Europe.

With larger production abroad, soybeans now face much stronger competition in the international market, primarily in the oil sector. This has happened before, but the supply is larger relative to current demand than at any other time since World War II.

Whether growing world demand will catch up with the world supply or whether adverse natural conditions will reduce world supplies and thus create need for production of beans at current or higher levels in the years ahead remains to be seen.

Cotton. The Cotton-Wheat Act of 1964 became effective immediately for cotton. As a stimulus to domestic cotton use, an equalization payment of 6.5 cents per pound on all upland cotton used by American textile mills was approved for the period April 11, 1964, to July 31, 1964. However, the late enactment of the new legislation prevented cotton farmers from effectively adjusting their plans for the 1964 crop, thereby largely nullifying the acreage reduction anticipated under the domestic allotment program. Approximately one-half million acres, mostly in Texas and Oklahoma, were taken out of production.

Favorable weather and wider and wiser use of new and advanced planting and harvesting techniques produced another large crop that saw record-equaling yields per acre. Foreign free world production also increased, and caused a sharp reduction in U. S. exports. The return to a one-price market system spurred domestic mill use, but production greatly exceeded disappearance, and almost 2 million bales were added to the carry-over. The basic loan rate was 30 cents and an equalization payment of 6.5 cents per pound was paid on cotton moving through trade channels either for domestic consumption or export.

Results of the 1964 program were mixed. On the favorable side, the textile industry was buoyed by the return to the one-price marketing system and elimination of competitive inequities. Farmers' income was maintained at a high level and domestic consumption increased somewhat. Less favorable were the increases in the carryover and in stocks held by the Commodity Credit Corporation, the sharp drop in exports, the expansion in the use of noncellulosic fibers, the heavy increase in program expenditures, and the failure of prices to be reduced to consumers on manufactured products.

The 1965 program for cotton operated essentially the same as in 1964, except that the basic loan rate was 29 cents and the equalization payment rate was reduced to 5.75 cents per pound. Micronaire readings, to determine the fineness and maturity of the cotton, were included as an additional quality factor on the fiber upon which the Commodity Credit Corporation made loans. Storage payments were lowered on older CCC stocks. Changes were proposed in measuring cotton planted in "skip-row" patterns, which usually results in higher yields per allotted acre. The changes became effective for the 1966 crop.

In 1965, as in 1964, over half of the cotton farms participated in the domestic allotment program, and slightly over one million acres were removed from the production of cotton. Domestic consumption was up, but exports were down, and the carryover jumped to an all-time high of 16.6 million bales. It was obvious that a change was needed in the program.

The Food and Agriculture Act of 1965 provided the basis for marketing cotton at world prices, reducing the surplus, maintaining farm income, and reducing program costs. Authorized for a period of four years, the legislation offered the industry the opportunity to regain its traditional share of the world market and to compete more effectively with synthetics in the domestic market; gave farmers a long-range period to plan and adjust their operations; and afforded special benefits to small farmers.

Price support loans, through the 1969 crop, were to be not more than 90 percent of the average world market price for middling 1-inch cotton. To maintain farm income from cotton and encourage adjustments in acreages planted to cotton, price support and diversion payments were to be made at varying payment rates to producers, depending on participation with acreage reduction provisions. The equalization payments made to handlers and others were eliminated. U. S. cotton market prices were to move with world prices.

Farmers could plant cotton in excess of the acreage allotment and forego price support loans and payments on farms receiving export market acreage. The sale and lease of upland cotton allotments were permitted under certain conditions.

Farmers could be required to underplant their allotments in order to qualify as cooperators; however, they could receive diversion payments on the retired acreage and could receive additional payment if acreage was diverted above the minimum diversion requirement. Long-term contracts for the retirement of cropland from production were made available under the cropland adjustment program.

The price support program for 1966-crop cotton was announced on November 5, 1965, just two days after approval by the President of the

1965 act. Early announcement was made in order to give farmers sufficient time for orderly planning. The 1965 crop then under harvest was the fourth consecutive crop of approximately 15 million bales or more, and it was obvious that a record carryover would result despite the improved outlook for cotton as a result of new legislation.

The 1966 program established farm domestic allotments as 65 percent of the farm acreage allotment. Cooperators were to receive payments of 9.42 cents per pound on the projected yield of the acreage planted to cotton but not in excess of the farm domestic acreage allotment. Loans were available at a basic rate of 21 cents per pound on cotton produced on the farm permitted acreage. Cooperators were paid for acreage required to be diverted as well as for acreage voluntarily diverted (up to 35 percent of the farm allotment).

Participating producers diverted 4.6 million acres from the production of cotton in 1966. The skip-row planting regulations were amended so that this yield-improving practice was more restricted in order to reduce production.

Extremely adverse weather in various areas during both planting and harvesting seasons cut harvested acreage to 9.5 million and reduced average yields almost 50 pounds per acre. The result was a reduction in production of over 5 million bales.

With domestic consumption remaining at the high level of 1965 and with exports increasing over 60 percent above the prior year, the record carryover on August 1, 1966 was cut by 4.3 million bales, and Commodity Credit Corporation stocks were reduced by 6.4 million bales.

Producers enjoyed a good income situation under the new legislation. Although producing less than they would have under the 1964 act, average prices were above the loan level, incomes were supplemented by the price support and diversion payments, and production costs were cut because of the diversion program. The result was an estimated 25 percent increase in net income over what would have been attained under the 1965-type program. As a result of reduced loan activity, increased sales from the CCC inventory, and savings in storage and interest, net CCC expenditures for 1967 were effectively cut by about $670 million. This was a spectacular reversal in a commodity picture that for many years had been dismal with surpluses, depressed prices, and loss of markets.

The overall cotton situation was definitely improved. However, new problems arose in the cotton service industries. The severe weather in 1966 had cut production and ginners, warehousemen, oil mills, and others were facing reduced business activity. The areas producing the longer staples of cotton had been affected most by weather. This, combined with heavy sales of CCC stocks of such staples, created a quality imbalance of CCC stocks and the total supply.

The program in 1967 continued to aim at reducing production while keeping cotton competitively priced without decreasing farmers' incomes. Program changes for 1967 included higher diversion and price support payment rates, a slightly lower price support loan rate, and wider choices in the percentage of the farm acreage allotment that could be diverted. Farmers were encouraged to produce the longer staples most in demand by the trade. Loan program premiums and discounts were widened to induce a greater production of the desired qualities.

Farmers again participated heavily in the program and diverted 4.8 million acres from the production of cotton. For the second consecutive year, extremely adverse weather and insect infestation caused reduced planting and heavy acreage abandonment, and both harvested acres and yield were greatly lowered. Cotton production at 7.4 million bales was the lowest since 1895.

Market prices, especially during the harvest season, were very strong. The average price received by farmers was more than 6 cents per pound above the national average loan rate of 19.47 cents. This, together with higher price support and diversion payments, enabled farmers to obtain slightly higher total returns than in 1966, despite the drop of 2.1 million bales in production.

Sales of CCC stocks continued strong as the domestic trade filled its pipelines in fear of a developing shortage of desirable cotton. Thus, in two years, CCC's inventory of owned stocks was virtually depleted. The carryover on August 1, 1968 was about 6.3 million bales, as compared to the record high of 16.6 million bales on August 1, 1966.

With all evidence early in the marketing year pointing up the probable elimination of the cotton surplus, a new problem arose dominated by a sudden disappearance of surplus stocks and questions as to whether the supply, especially in the longer staples, could meet demand in the months ahead. Decisions to be made in regard to the 1968 program were, in the words of Secretary Freeman, "as difficult as any I have made since I've been Secretary of Agriculture."

Looking toward the 1968 program, the cotton situation was vastly different than that faced in 1965 when the Food and Agriculture Act was enacted. The total supply adjustment expected over a 4-year period had been accomplished in two years. Because of the abnormally small crops of 1966 and 1967 and the increased demand for the medium and longer staple cottons, the 1968 supply contained a disproportionate share of the shorter staples.

The 1968 program announced on October 11, 1967, was designed to increase production of cotton above the levels produced in 1966 and 1967 and to encourage production of higher percentage of the medium and longer staples. There were some changes from the 1967 program. The basic loan rate was maintained at the same level (20.25¢). The required diversion was reduced to 5 from 12.5 percent. The payment rate of 10.76 cents per pound was essentially the same as the 1967 rate of 10.78 cents. The payment rate for voluntary diversion (up to an additional 30 percent of the farm allotment) was reduced to 6 cents per pound. The price support payment rate was 12.24 cents. The skip-row planting pattern rules were changed to the rules in effect during the period 1962-1965.

Barring unusual weather, the program was expected to result in increased production which would contribute to a more balanced supply quality-wise; alleviate the constricted position of the businesses providing services in producing, ginning, warehousing, and marketing cotton; and otherwise meet the objectives of the Food and Agriculture Act of 1965.

65

Tobacco--A New Approach to Price Support, 1963-1968. Marketing quotas had been in effect since 1940 for the principal kinds of tobacco. Quotas were established for individual farms on an acreage basis. However, substantial increases in per acre yields after 1960 resulted in the accumulation of excessive supplies of some kinds of tobacco, especially for flue-cured and burley, which account for about nine-tenths of total production. Research conducted by both the Department and by the land-grant colleges clearly showed that further increases in per acre yields were readily obtainable.

In November 1964, the National Agricultural Advisory Commission, a bipartisan group of leaders in agriculture appointed by the President to advise the Secretary of Agriculture on farm policies and programs, said in its "Farm Policy in the Years Ahead:" "To meet the serious quality problem now existing for some leading types of tobacco and to hold crops more firmly in line with utilization, we recommend the use of poundage quotas rather than acreage controls." The National Tobacco Industry Advisory Committee, appointed by the Secretary of Agriculture, made a similar recommendation at about the same time.

In his message of February 4, 1965, to the Congress on the farm program, the President commented on price support and production adjustment programs for tobacco as follows: 1/

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. I, p. 145.

> The tobacco program must also be reappraised this year. Yield increases, higher Government costs, deterioration in quality and loss of foreign markets have weakened what has been a highly successful program.
>
> Legislation is needed to authorize production and marketing limits on an acreage-poundage basis. Consideration should also be given to revisions in our programs which will make American tobacco more competitive in world markets.

Legislation providing for acreage-poundage marketing quotas for tobacco was enacted by the Congress April 16, 1965. In approving this legislation, the President remarked: 1/

> This law will permit tobacco growers to operate a program with real quantative limits on marketings. When adopted by the growers in a special referendum, tobacco farmers will once again be taking the leadership among commodity groups in adopting a program which will enable them to (1) hold supplies more effectively in balance with demand, (2) increase farm income through improvement in quality and increased exports and (3) reduce Government price support costs.

A special referendum was held for flue-cured growers in May of 1965, with the flue-cured tobacco acreage-poundage quotas approved by 73.7 percent of those voting. The new acreage-poundage quotas covered the marketing years 1965, 1966 and 1967. At the expiration of this 3-year acreage-poundage program, growers approved a continuation of the program for another 3 years (1968, 1969 and 1970 crops) by 96.5 percent of those voting.

1/ 79 Stat. 66; and Public Papers of the Presidents, Lyndon B. Johnson, 1965, Vol. I, p. 427.

Significant accomplishments have resulted from the acreage-poundage program for flue-cured tobacco. These have included: reduced supplies and adjustments in price support loan tobacco: improvements in quality: higher prices and maintenance of income positions; and improvement in consumption and exports.

In the first 3 years of operation of the acreage-poundage program for flue-cured tobacco, season average prices reached a new record high level of 66.9 cents per pound for the 1966 crop. With a significantly larger production in 1967, compared to the previous two crop years, the average price was reduced to 64.2 cents per pound, slightly below the record level of the previous year, but continued substantially higher than prices of the 1963 and 1964 crops.

General quality was considerably improved over previous years, with a significant increase in the ripeness and maturity of the crops which indicate desirable quality characteristics of flue-cured tobacco and under acreage-poundage, even the lower quality grades were considered superior and having greater usability than the same grades of previous crops.

Exports which had been faced with the problem of high competitive prices for U. S. tobacco have shown significant improvement under the acreage-poundage program, with both improved quality of flue-cured leaf and with adequate supplies of loan tobacco at reasonably favorable prices. Exports reached record high levels in 1966-67 and were expected to remain at a reasonably high level.

Dairy. When President Lyndon B. Johnson took office in November 1963, prices received by dairy farmers for milk and for butterfat in farm-separated cream were being supported as required by the Agricultural Act of 1949.

The Act requires that these prices be supported at a level between 75 and 90 percent of parity, as of the beginning of the marketing year, that the Secretary of Agriculture determines necessary "to assure an adequate supply." It requires that support be provided through loans on, or purchases of, milk and other dairy products.

The dairy price support has been carried out in recent years by purchases of butter, Cheddar cheese, and nonfat milk--three widely produced products which use over a third of the milk and cream sold by farmers, and about three-fourths of the manufacturing milk and cream processed into dairy products. Purchases are made by the Commodity Credit Corporation through the Minneapolis ASCS Commodity Office.

Dairy products have been purchased at prices which, based on market price relationships in recent years, would enable dairy processing plants to buy milk and cream from farmers at prices which would result in U. S. average prices equal to the announced national average support prices.

The support prices for the 1963-1964 marketing year were set by Secretary Freeman at $3.14 a hundred pounds for manufacturing milk (of average milkfat content) and 58.1 cents a pound for butterfat in farm-separated cream. These support prices represented 75 percent of parity.

69

Decision was made in February of 1964 to set the support prices, for the marketing year beginning April 1, 1964, at \$3.15 at hundred pounds for manufacturing milk and 58 cents a pound for butterfat in cream--both 75 percent of parity. This decision was reached reluctantly in view of the need of dairy farmers for improved incomes, after careful consideration of current milk production in relation to market demand, price support purchases and stocks, program costs, and the legislative authority.

The law does not authorize the Secretary of Agriculture to support the prices of milk and butterfat at above 75 percent of parity unless he determines that a higher support level is necessary to assure an adequate supply. Milk production was running at a near-record annual rate of 126 billion pounds in the 1963-64 marketing year and was substantially exceeding consumption of milk and its products in the commercial market.

CCC's price support purchases, plus commercial exports under the related payment-in-kind export programs, totaled during the marketing year 293 million pounds of butter, 122 million pounds of cheese, and 1,175 million pounds of nonfat dry milk. These were equivalent to 6.4 percent of the total milkfat and 11.8 percent of the total nonfat milk solids in all of the milk and cream sold by farmers. Although large quantities were being used in school lunch, welfare, and other outlets, through donations and sales, CCC still had sizeable inventories of dairy products in early 1964.

Milk production increased further to a record level of nearly 127 billion pounds in 1964-65. Consumption of milk and its products in the commercial market also increased, though less than production. CCC acquisitions under the support program, plus subsidized commercial exports of butter and nonfat dry milk under the payment-in-kind export programs which were continued, totaled 352 million pounds of butter, 135 million pounds of cheese, and 1,223 million pounds of nonfat dry milk. These were equivalent to 7.5 percent of the milkfat and 12.1 percent of the nonfat milk solids in total farm marketings.

Dairy products acquired under the support program continued to be offered for various uses. These included: sales in the domestic market at prices above CCC support buying price levels; sales for commercial export at competitive prices; sales at export prices to the Department of Defense for normal overseas needs; donations for domestic school lunch and welfare uses, including school lunch, needy family, and charitable institutional uses, and increased consumption by military personnel and veterans hospital patients; and noncommercial export sales at concessional prices to foreign governments and other agencies for school lunch and needy person feeding in many foreign countries.

The total quantities committed during the 1964-65 marketing year for such uses totaled about 289 million pounds of butter, 146 million pounds of cheese, and 793 million pounds of nonfat dry milk. These uses of the products improved the diets of millions of school children and needy persons both in the United States and in more than a hundred foreign countries where nonfat dry milk continued to be an important item in the school lunch and other programs.

Dispositions in the various programs reduced CCC's inventories of dairy products to manageable volumes by March 31, 1965--the end of the 1964-65 marketing year.

In view of the continuing excess of milk production over market consumption of milk and its products, the dairy support level was continued at 75 percent of parity for the 1965-66 marketing year. Since parity prices had increased, the new support prices at $3.24 a hundred pounds for manufacturing milk and 59.4 cents a pound for butterfat, were higher than the 1964-65 support prices. CCC's purchase prices for dairy products were raised enough to reflect the higher support level.

The dairy situation changed considerably during the 1965-66 marketing year. A combination of conditions caused a stepped-up exodus of farmers out of dairying--unsatisfactory prices for milk and cream, growing shortage and increasing cost of dairy farm labor, rising cost of farm equipment, relatively favorable slaughter prices for cull cows, large amount of capital required to enlarge and modernize dairy herd operations, and alternative farm and off-farm opportunities.

The total number of milk cows decreased 6 percent during 1965--about double the average annual decrease of the preceding ten years. The rapid decline continued during the first half of 1966. Meanwhile the increase in milk production per cow was less than enough to offset the decline in cow numbers. Total milk production decline nearly 4 percent from the 1964-65 to the 1965-66 marketing year.

The decrease in total milk production reduced the supply of manufacturing milk in 1965-66. Production of butter and nonfat dry milk dropped sharply. CCC's purchases of dairy products and commercial exports under the payment-in-kind program declined to 162 million pounds of butter, 21 million pounds of cheese, and 885 million pounds of nonfat dry milk--equivalent to 3.3 percent of the total milkfat and 8.8 percent of the nonfat milk solids in total farm marketings of milk and cream.

During 1965-66, CCC sold or donated to various program outlets, 201 million pounds of butter, 15 million pounds of cheese, and 761 million pounds of nonfat dry milk.

The changed supply situation made it possible and appropriate to increase the dairy support level for 1966-67. Secretary Freeman announced, on March 31, 1966, increases in the support prices from $3.24 to $3.50 a hundred pounds of manufacturing milk, and from 59.4 to 61.6 cents a pound for butterfat, effective April 1, 1966, and corresponding increases in CCC's support buying prices for dairy products. These support prices were 78 percent of the parity equivalent price of manufacturing milk and 75 percent of the parity for butterfat.

The action to increase the support price for manufacturing milk above the legal minimum level, together with other related actions to raise prices received by farmers for milk sold for consumption as fluid milk under Federal milk orders, were taken to strengthen dairy farm income and assure adequate supplies of milk and its products for consumers.

Total milk production continued to decline in the spring months of 1966. On June 29, 1966, Secretary Freeman announced further increases in the dairy support prices to $4.00 a hundred pounds for manufacturing milk and 68 cents a pound for butterfat, with other actions to increase fluid milk prices under Federal milk orders. The new support prices were 89.5 percent of the parity equivalent price for manufacturing milk (near the legal maximum) and 83 percent of the parity price for butterfat.

No butter or cheese, and only a greatly reduced quantity of nonfat dry milk, was offered to CCC under the support program from April to September 1966.

In the early winter months CCC bought some butter and cheese for school lunch use, under Sec. 709 of the Food and Agriculture Act of 1965, which specifically authorized the use of CCC funds for such purposes.

Total milk production leveled off in the last half of 1966 and increased slightly in early 1967. By early 1967, consumer reaction to increased prices began to be reflected in decreased consumption. CCC's price support purchases increased substantially during the February-March quarter of 1967. Total price support and Sec. 709 purchases for delivery to CCC in the 1966-67 marketing year were 109 million pounds of butter, 40 million pounds of cheese, and 420 million pounds of nonfat dry milk--equivalent to only 2.4 percent of the total milkfat and 4.3 percent of the nonfat solids in the total farm meetings of milk and cream.

Dispositions of butter and cheese were confined to domestic school lunch uses in 1966-67. Nonfat dry milk continued to be distributed for domestic school lunch and welfare uses. A reduced quantity was made available for foreign school lunch and welfare uses. CCC ended the marketing year with moderate uncommitted inventories.

Since the decline of milk production appeared to have been stopped, and production in early 1967 was at an annual rate moderately greater than market consumption of milk and its products, the support level in effect during the last nine months of 1966-67 was continued through 1967-68.

Production per cow increased in 1967-68 but not enough to fully offset the further decrease in number of milk cows. Total production declined one percent. Market consumption of milk and its products as a group, however, decreased relatively more. Price support purchases for delivery to CCC during the 1967-68 marketing year increased to 247 million pounds of butter, 175 million pounds of cheese and 633 million pounds of nonfat dry milk--removing from the market 6.2 percent of the total milkfat and 6.9 percent of the nonfat solids in total farm sales of milk and cream.

As price support acquisitions increased in 1967-68, butter and cheese were again donated to State agencies for distribution to needy families and were again made available to military agencies and veterans hospitals for their increased uses. Some butter, and butter products also, was donated for foreign school lunch or welfare program uses, while nonfat dry milk continued to be donated for both domestic and foreign school lunch and welfare uses.

On March 31, 1968, the end of the marketing year, CCC had uncommitted inventories, including some supplies under purchase contracts for delivery after March 31, of about 128 million pounds of butter, 54 million pounds of cheese, and 306 million pounds of nonfat dry milk.

Milk production in early 1968 dropped about 2.5 percent below a year earlier. It appeared that a further increase in returns to producers would be necessary to prevent a continuing downtrend in production and assure adequate supplies for consumers in the years ahead. On March 20, 1968, Secretary Freeman announced an increase in the support price for manufacturing milk from $4.00 to $4.28 a hundred pounds effective April 1--nearly 90 percent of the parity equivalent price. He announced that the higher support would be accomplished by increasing CCC's support purchase price of nonfat dry milk and cheddar cheese. The buying price for butter was not increased because of the unfavorable consumer demand for that product. Purchases of butter were expected to support the U. S. average price of butterfat in cream--now accounting for less than three percent of the total farm sales of milk and cream--at about 66 cents a pound.

Price support purchases for delivery to CCC in the April-June quarter of 1968-69 were substantially smaller than a year earlier.

Cash receipts from sales of milk and cream by farmers increased from 4.9 billion dollars in 1963 to 5.8 billion dollars in 1967. The higher prices received by producers for milk in 1968 were expected to result in a further increase in farm cash receipts.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at a fair market value, to farmers who had been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of its use. Authority under this act terminated June 30, 1967. However, Public Law 90-95, approved September 28, 1967, authorized to be appropriated such sums as may be necessary to carry out the program through June 30, 1968.

During the period January 1, 1964 through June 30, 1968, milk indemnity payments totaling $978,043.90 were made to about 350 dairy farmers located in 27 States.

Sugar. The quota system developed for dividing the United States sugar market between domestic and foreign producers in the Jones-Costigan Act of May 9, 1934, is still in effect. The ideas underlying this act, were: to protect the domestic sugar-producing industry; to provide U. S. consumers with ample sugar supplies at reasonable prices; and to promote the export trade of the United States. These ideas were carried out under the act by: setting U. S. sugar requirements; establishing sugar quotas for specified domestic and foreign producing areas; providing marketing allotments for domestic producers; setting acreages for farm producers; making payments to growers; and providing for an equitable division of returns from sugar among beet and cane growers, farm workers, and sugar processors.

During the early 1960's after the revolution in Cuba, that nation's quota was suspended, and controversy arose over both the domestic and foreign assignments of the quota. Legislation in 1962 set foreign quotas to expire at the end of 1964, and domestic provisions to expire in 1966. Mainly because the industry could not reach agreement, a new law was not passed until 1965, in spite of recommendations by the President and the Secretary of Agriculture.

In December 1964, after Congress had adjourned without acting on sugar legislation, the Secretary took administrative action to continue the sugar program during 1965 despite the expiration of the foreign quota provisions. He assigned quotas to domestic areas and the Republic of the Philippines in accordance with continuing provisions of the law.

He then established country quotas by prorating the remaining quantity to foreign countries, other than the Republic of the Philippines, on the basis of their shipments to the United States during the calendar years 1963 and 1964 when higher prices could have been obtained by sales to other destinations. No import fee was imposed in view of legal limitations but the Secretary announced that the Administration intended to recommend to the Congress reinstitution of a system of import fees in connection with long term legislation.

For several months, raw sugar prices had been well below the guideline price of the Sugar Act. In order to strengthen sugar prices, in 1965, the Secretary also imposed, for the first time, quarterly limitations on the importations of raw sugar from all foreign countries.

The domestic sugar industry continued its effort to resolve their differences on sugar legislation. The Executive Branch also continued to develop legislative proposals to be submitted to the Congress by the Administration. Early in 1965, all segments of the domestic sugar industry were able to agree upon legislative proposals to amend and extend the Sugar Act with respect to the domestic aspects of the program. The industry submitted their proposals both to the House Agricultural Committee and to the appropriate Executive Departments. The Department of Agriculture held a number of meetings with representatives of the sugar industry to discuss legislative proposals which the Administration would recommend to the Congress and which all segments of the domestic sugar industry could support.

The question of continuing an import fee became a controversial issue, which was resolved on August 17, 1965, when the President announced at a meeting of Latin American Ambassadors at the Fourth

Anniversary of the Alliance for Progress, that he was proposing to the Congress that the special import fee on sugar be eliminated so that the full price would go to Latin American producers. On the next day the Department recommended to the Congress that new legislation provide for temporarily increased quotas to mainland producers as an advance against market growth to enable them to work off their inventories accumulated in 1963 and 1964--when sugar was in short supply and when production in the United States had expanded sooner than in other parts of the world.

The Administration also proposed that quotas for foreign countries be determined in accordance with the formula which the Secretary had used in establishing the 1965 quotas. Specific authority was also requested to impose quarterly limitations on the importation of foreign sugar during the first half of the year, as this had proven to be a useful tool in supporting prices at the beginning of the year when foreign producers were inclined to rush their sugar to the most favorable market.

The Congress made some changes in the foreign quotas recommended by the Administration, but in a general way the recommendations of the Administration were adopted. Congress enacted legislation to amend and extend the Act through December of 1971. The President approved the law on November 8, 1965. 1/

1/ 79 Stat. 1271.

Quarterly quotas have been imposed in each of the three years since 1965, although they were sometimes lifted before the end of a period. These limitations have been effective in maintaining sugar prices in line with the price objective of the statute.

In January 1964, the raw sugar price was 9.40 cents per pound, duty paid, New York. This price was 2.80 cents per pound above the guideline price of the Sugar Act. However, as the year progressed and sugar users became confident of an adequate supply, prices declined rapidly and by June the raw sugar price had fallen below the price objective, which was then 6.60 cents per pound. Raw sugar prices continued below the guideline price of the statute until December when the Secretary announced that quarterly limitations on the importation of foreign sugar would be imposed. Since that time, the raw sugar price has averaged about in line with the guideline price. Except during the sugar shortage period in 1963 and 1964, retail refined sugar prices have increased more moderately than the general price level. For example, the average retail price in the United States for the calendar year 1960 averaged 11.63 cents per pound and the retail price for May 1968 was 12.16 cents per pound or an increase of less than five percent in seven and a half years.

Sugar consumption in the United States for many years has increased about in line with population growth. Distribution of sugar has followed the same pattern except for minor build-ups in inventories in the early stages of rising prices and depletion of inventories as prices recede. Consumption and distribution average about 104 pounds of sugar, raw value, per person per year.

Despite the very moderate price increase to consumers and because of remarkably good productivity gains achieved by all segments of the mainland sugar industry, farmers and manufacturers have operated profitably, modernized their production facilities and passed on benefits to workers in the form of much higher wages. For instance, the Secretary of Agriculture's determinations of fair and reasonable wages for the least skilled class of workers on mainland sugarcane and sugarbeet farms averaged $1.33 per hour for the 1967 crop as compared to 0.71 cents per hour for the 1960 crop. Actual hourly earnings were higher in all years.

A portion of the farmer's income results from a direct Government payment to them. However, these payments total substantially less than the half cent per pound tax on sugar. The Treasury of the United States has profited by about 600 million dollars from the program since its inception in 1937.

<u>Honey</u>. The price support program for honey has been in effect since 1947 at a level between 60 and 90 percent of parity. It is handled by loans and purchases. In 1964, a change was made so that loans could be made upon a declaration by the beekeeper, rather than an official determination, as to quantity and quality of the honey.

The price support rate for the 1961-65 crops of honey was 11.2 cents per pound. For the 1966 honey crop, the price support rate was increased from 11.2 cents per pound to 11.4 cents. An increase to 12.5 cents per pound was made for the 1967 crop.

The 1964 change in program procedure, plus declining prices to beekeepers, resulted in a significant increase in program activity. Starting with the 1964 honey crop, increasingly larger quantities of honey were acquired by CCC, mostly in the form of loan collateral. Of the 1964, 1965, 1966 honey crop, 22,200; 32,000 and 43,200 hundredweight were acquired by CCC.

Net CCC expenditures have normally remained within the $100,000 range, with the exception of 1964-65 when net expenditure reached $700,000.

CCC acquired honey has been used largely in the school lunch program. School lunch program funds expended for this purpose have ranged from $184,000 to $459,000 during the period 1963 to 1967 fiscal years.

<u>Tung Nuts and Oil</u>. The support level was continued throughout the 1964-1968 perioc at $63.34 per ton for tung nuts and 24 cents per pound for oil. Because of the changes in the Parity Index, this 24 cent support price as a percent of parity has become very close to the legal minimum of 65 percent parity.

The world situation changed from one of shortage and high prices to one of surplus and low world prices. Imports into the United States increased at the same time that United States production for the 1964 crop reached its recent high of 37 million pounds. Consequently, CCC began acquiring tung oil under the support program.

United States production has been greatly reduced by freeze damage in three of the last four years--at 10 million pounds in 1965, 25 million pounds in 1966, 13 million pounds in 1967, and an estimated 7 million pounds for the 1968 crop. However, world supplies have remained ample, imports have supplied most of the market and domestic production has been acquired under the support program.

In 1966, in an effort to move domestic oil into the market, CCC began offering oil for sale on a competitive bid basis. Prices being obtained for oil in 1968 were a little over 10 cents per pound, as contrasted with the support price of 24 cents per pound. World supplies were large and imported oil continued to move into the United States, but in reduced volume.

Statistics do not yet show a substantial increase in level of consumption in the United States. It is expected, however, that the low prices prevailing for tung oil will be reflected in large consumption and that supplies will gradually be brought into better balance with demand.

Flaxseed. Price support for flaxseed from 1964 to 1968 was at $2.90 per bushel. Acreage in flaxseed declined steadily since 1963 and in 1967 was down from 3,172,000 to 1,991,000 acres. Production of

84

flaxseed (in oil equivalent terms) exceeded domestic use on the average, by some 180 million pounds annually over the five years.

Domestic consumption of linseed oil continued to decline by about 10 to 15 million pounds per year during this period. For 1968-69 it is about 300 million pounds, compared with almost 400 million in 1962-63 and over 600 million in the immediate post-World War II period. This decline in the consumption of linseed oil in paints and varnishes has exceeded an increase in its use as a protective coating on concrete against weathering and the destructive action of deicing agents. This latter use was largely developed by the Department of Agriculture's Research Laboratory in Peoria, Illinois.

In 1964, CCC converted 4 million bushels of flaxseed into 80 million pounds of linseed oil which is held in storage. This provided a reserve (at the lowest cost to CCC) to protect the domestic supply against the wide fluctuation in production cause by weather and disease. The action also was helpful to CCC in moving its remaining stocks of flaxseed into export markets on a more favorable basis.

Domestic consumption of linseed meal has declined. Exports of meal increased from 1964 to 1968, averaging over 100 tons annually at a value near $10 million. All exports were for dollars.

A payment-in-kind program was begun in the spring of 1965 for flaxseed and linseed oil. This program encouraged the movement of flaxseed into export markets without the necessity for acquisition and sale by CCC. It also enables domestic processors to compete more effectively on sales of oil for export. It was changed to a dollar export payment program as CCC stocks of surplus commodities were reduced.

The program has helped to move surplus United States flaxseed and linseed oil into world for dollars. It was suspended in June 1967 as world supplies in the three major exporting countries became smaller and world prices moved up to levels that permitted exports at prices equivalent to the support price. The export payment can be made effective again when needed.

Castor Beans. United States acreage and production declined steadily from 1964 through 1967. Yields were low because of unfavorable weather. Prices were low as large crops in Brazil depressed the world market level.

Annual consumption averaged about 150 million pounds. Imports supplied about 100 million pounds. Domestic production supplied a declining quantity--down from about 25 to 10 million pounds. The balance came from sales of some 10 to 36 million pounds per year made available by reduction of the castor oil stockpile.

The Department continued to encourage a moderate production base of castor beans in this country. Growers were permitted to plant part of the feed grain diverted acreage (and also, since 1966, cotton) to castor beans while retaining part of the diversion payment. Encouragement to domestic production is designed to maintain a small viable industry that can be expanded in the event of an emergency.

A limited price support program was approved for 1968 for a quantity of castor beans having an oil equivalent of not over 30 million pounds. This action was taken in view of the continuing decline of United States acreage and the reduction of the castor oil stockpile. The program will be operated through crushers who agree to pay producers $5\frac{1}{2}$ cents per pound or higher for castor beans. The program is experimental.

Acreage planted to castor beans in 1968 was up. The support program was a factor in the increased acreage. With average yields, production from the 1968 crop may provide oil in an amount near the 30 million pound support limit.

Rice. Programs applicable to rice from 1963 to 1968 were basically unchanged from 1961. Prices received by farmers were supported by loans or purchases. The national average support price of $4.71 per hundred pounds in effect for the 1961-64 crops was lowered to $4.50 for the 1965 and 1966 crops, and increased to $4.55 for the 1967 crop and $4.60 for the 1968 crop. The lower national average support price for 1965 reflected President Johnson's emphasis on keeping costs down.

Rice production is controlled through acreage allotments and marketing quotas, which have been in effect continuously beginning with the 1955 crop. The national acreage allotment, by law, cannot be less than that in 1956, which was 1,652,596 acres. In addition, the Food and Agriculture Act of 1965 provided that if the national allotment for any rice crop, 1966 through 1969, was less than the allotment for 1965 (1,818,638 acres), an acreage diversion program must be carried out to support the income of rice producers. However, this was not necessary through 1968.

The costs of the rice program within the years 1961-67 were substantial. However, during this period, the large carryovers from 1955-60 were reduced to a minimum working level. Yields and acreages have increased. The balance between supplies and requirements is the result of a modest increase in domestic use and of a sharply expanded export demand.

The farm value of rice production in the United States has increased from $278 million in 1961 to $439 million in 1967, an increase of 57 percent.

Wool. Wool continued to be supported under the National Wool Act of 1954, which had been extended in 1958, in 1961, and 1965. The wool program is carried out through annual payments to producers. The payments are based on the percentage needed to bring the average price to all producers for shorn wool up to the support price. Sheep numbers and wool production have declined steadily since 1960, largely because of relatively unfavorable lamb prices.

Mohair. The National Wool Act required that mohair prices be supported at a level 15 percent above or below the percentage of parity at which wool was supported. The supports were at or near the minimum of this range from 1955 to 1968. The program was carried out by payments to producers in the same manner as for wool. No payments were actually made until 1962, when a relatively small amount was spent. No payments were made in 1963 and 1964. However, declining prices for mohair led to payments in 1965, 1966, and 1968.

Peanuts. Over the decade immediately preceding 1964, there were few substantive changes in the production control and price support programs for peanuts. The minimum national acreage allotment was 1,610,000 acres.

Legislation with respect to the national level of price support --set forth in the Agricultural Act of 1949--was unchanged. When farmers have not disapproved marketing quotas, price support was mandatory at between 75 percent and 90 percent of the parity price, with the minimum level related to the supply percentage as of the beginning of the marketing year.

Price support was primarily through non-recourse loans to cooperative associations acting for producers. During most of the period, the loan activity was supplemented by the purchase of low quality edible grades of peanuts from shellers. The principal outlet for peanuts acquired by CCC was for crushing into oil and meal, but a substantial quantity of higher quality peanuts were exported for food use at world prices.

The world market for peanuts is based primarily upon their value for crushing into oil and meal. In the United States, the price support program for peanuts is based upon their use as food--peanut butter, salted, and candy. Domestic market prices for food use are about double the world price.

By 1964 an emerging problem was evident. Increasing yields pushed production pass market need. With a fixed minimum national acreage allotment, the surplus diverted through CCC channels was increasing and programs costs growing.

During the thirty years before 1950, average yields of peanuts did not change a great deal, but beginning with the 1950 crop, an upward surge in yields developed. The national average yield in 1950 was 900 pounds per acre, an all time high. Another all time high was reached in 1952 and yet another in 1953. The yield increases continued and the average in 1963 was reported at 1,381 pounds per acre, another all time high and 54 percent larger than the yield of 1950.

Beginning with the program for 1964, a new dimension--quality control--was added to the peanut program. It was found that some peanuts contained aflatoxion, a toxic substance produced by the mold, Aspergillus Flavus. The quality control program was designed to keep the lower quality peanuts, most likely to contain Aflatoxion, out of customary food channels. A second objective was to prevent the use of affected peanut meal for feed purposes.

CCC agreed to purchase, from participating shellers, peanuts containing excessive mold or Aflatoxion and to divert such peanuts from food use. In consideration of this agreement, each sheller was required to pay an indemnification fee to CCC in the amount of $2 per net weight ton of farmer stock peanuts purchased from producer associations.

The quality cont ol program effectively channeled the lower quality peanuts to CCC, and demonstrated that a quality control program could work. Based upon the 1964 crop experience, a marketing agreement was established with the 1965 crop. This agreement enables the industry to take actions needed to assure adequate quality regulation.

For the 1967 crop, the average yield of peanuts rose to 1,765 pounds per acre. The crop totaled 1,237,000, of which CCC acquired about 304,000 tons.

Even though the rate of increase in consumption for food used is above rate of increase for population, the surplus of peanuts to be diverted continues to increase. Cost of the program to the Government increased almost four-fold over a ten year period--from around $12 million to around $45 million. With the increase in program cost, price support for peanuts could not be justified above the minimum level of 75 percent of parity. Consequently, net price support for the 1967 crop was at 75.2 percent of parity.

In 1967, the Stabilization Advisory Committee on Peanuts--and in 1968, representatives selected by growers themselves--endeavored to develop legislation that might make it possible to maintain and improve farm income for peanuts, reduce program costs to the Government, and assure an adequate supply of peanuts that could be marketed at prices fair to producers and consumers. This effort is continuing.

Cottonseed. Legislation requires that whenever the price of either cottonseed or soybeans is supported, the price of the other shall be supported at such level as the Secretary determines will cause them to compete on equal terms in the market.

Cottonseed oil and meal move into the market in this country in competition primarily with soybean oil and meal and into the world market in competition with a broad complex of fats and oils and protein meals.

Cottonseed is a by-product of the production of cotton for the lint. Consequently, production fluctuates with the production of cotton. It shows no prospect of providing an increasing supply in line with population growth. Soybeans, by contrast, have expanded rapidly to provide the growing supplies needed not only in this country but also for export into world markets.

Cottonseed, unlike soybeans and grains, cannot be supported by means of loans for the commodity held in storage on the farm or in commercial storage warehouses. Cottonseed, with minor exceptions, move immediately from the cotton gin to cottonseed oil mills where the seed are processed to produce the major products of oil and meal and the minor products of linters and hulls.

Under the program the cottonseed oil mill agrees to pay not less than price support for the seed in return for a commitment by CCC to purchase cottonseed oil (or meal for the 1968 crop) if necessary, at such price as may be required to return to the mill a value for all of its products equal to the support price for the seed plus a reasonable operating margin.

The cottonseed price support program has been designed to assure farmers of support price through the cottonseed oil mills and at the same time to encourage the cottonseed oil mills to process the seed and market products with minimum use of the support program. Standby arrangement for loans to producers or purchases from gins have not been used.

Price support for cottonseed was maintained at the 1963 crop level of $44 per ton for 1964 but was lowered slightly to $43 for the 1965 crop. It was increased to $48 in 1966 when soybean support was increased from $2.25 to $2.50 per bushel. It was continued at this level for the 1967 and 1968 crops.

Cotton production was reduced in 1966 and 1967. The resulting smaller quantity of cottonseed moved into the market without activity under the support program.

Gum Naval Stores. A price support program has been in effect for gum naval stores during each of the last 35 years except 1936 and 1937. Price support operations are permissive under currently applicable legislation, the Agricultural Act of 1949, as amended.

Only gum naval stores are eligible for price support. They are expressly designated as agricultural commodities by the Agricultural Marketing Act, the Agricultural Adjustment Act of 1938, as amended, and other legislation. Steam distilled and sulphate naval stores are not eligible for support.

The main objective of the Commodity Credit Corporation (CCC) naval stores program has been to increase or maintain the income of gum farmers through the technique of supporting gum naval stores prices. Over and above this main objective, the program has helped maintain needed production in times of acute shortage and during wartime.

The trends which started in 1960 were still in full swing in 1964. The production of all types of rosin in the United States exceeded requirements and stocks continued to increase, reaching a peak of about $1\frac{1}{4}$ million drums at the end of the 1965 calendar year. This was the highest stock level in more than 20 years. In contrast, U. S. turpentine utilization, stimulated by several years of low prices, exceeded combined production and imports; stocks declined and prices rose.

The 1964 price support program was developed and announced late in 1963. Although it continued the same support rates for rosin, the overall support level for crude pine gum was over $1 per barrel higher because of the increased allowance for the prospective market value of the turpentine content of the gum.

Several significant program changes were made in 1965 to counter the effect of increasing gum rosin price support loan stocks. Although the support level for crude pine gum was unchanged at $35.60 per standard barrel of 435 pounds net, the loan rate for the base grade of gum rosin was reduced about 5 percent from $10.50 to $10.00 per 100 pounds net in drums in storage to reflect higher prospective market prices for gum turpentine in 1965.

Rosin sales for unrestricted use at full redemption cost from American Turpentine Farmers Association redemption pools had virtually come to a halt in 1964 in the face of dwindling markets for domestic gum rosin. These markets were invaded domestically by cheaper domestic tall oil rosin and abroad by lower priced gum and tall oil rosins.

To regain and maintain a fair share of the export market for gum rosin, ATFA was authorized by CCC to sell gum rosin loan stocks for export through competitive offers. Sales were made at prices approved by CCC and, in any event, at not less than minimum prices approved by CCC.

The full sales proceeds were applied by ATFA toward repayment of the loan. Coincidentally, ATFA continued to make available loan rosin for sale for unrestricted use at not less than full redemption cost.

Although 46 percent of gum rosin production was placed in the loan, and loan rosin stocks continued to increase through December 1965, the program nevertheless was successful in at least three respects: It encouraged production of needed higher grades of gum rosin and discouraged production of lower grades. Loan stocks became better balanced gradewise. The export sales program reversed the 5-year downward trend in exports of domestic gum rosin. Net expenditures declined from an average of nearly $10 million annually in the four fiscal years beginning July 1, 1961 through 1964 to $5.3 million in fiscal year beginning July 1, 1965.

The principal program change in 1966 was the expansion of the export sales program to permit export of upgraded approved rosin products in satisfaction of export requirements.

There was little change in support prices for rosin and support levels for crude pine gum under the 1966, 1967, and 1968 programs. However, the support level as a percent of parity declined steadily from 89 percent in 1962 to 73 percent in 1968.

Meanwhile, domestic production of gum and steam distilled wood naval stores declined significantly in 1966 and 1967. In 1967, domestic sulphate naval stores output, reflecting smaller paper production joined the other types of naval stores in reduced output. The proportion of gum rosin production pledged to the CCC loan declined steadily from 62 percent in 1962 to 39 percent in 1966 and 37 percent in 1967. Sales of rosin loan stocks in the calendar year 1967 for export and for unrestricted use exceeded volume placed in the 1967 program by about 120 thousand drums. In the past 18 months this net reduction in pr ce support stocks has totaled about 225 thousand drums.

CCC investment in price support stocks exceeded $45 million as of December 31, 1968. The situation also is more favorable with respect to net expenditures. These totaled $11.5 million in the fiscal year beginning July 1, 1962 (1962-63) and have declined each year, reaching net receipts of $0.4 million in 1966-67 and $4.0 million in 1967-68.

Turpentine requirements continue to exceed supply with the result that stocks and exports are at an all-time low.

Domestic crude pine gum production has declined sharply since 1962. The number of producers and laborers also has declined, as has the gross income realized from crude pine gum. Laborers and small producers who are unskilled or semi-skilled and are largely untrainable for any other line of work, joined the ranks of the unemployed in the gum belt or moved. It was apparent, also, that any further substantial decline in output likely could eliminate gum naval stores as an industry for all practical purposes.

Livestock and Meat. There have been no price support programs as such effect in for livestock and meat since hogs were supported during and just after World War II. The assistance that has been made available from time to time has been primarily by purchases for school lunch and food distribution programs.

In late 1963 and early 1964, beef prices dropped. Many people felt that marked increases in imports were responsible for the decline, and some Congressional leaders called for import regulations. 1/ At the same time, a spokesman for the Department pointed out that record production in the United States and greater concentration of packing facilities also influenced prices downwards. 2/

On March 3, 1964, the Secretary of Agriculture announced the establishment of a National Advisory Committee on Cattle. He asked the committee to give particular attention to limiting beef imports. The committee met in May 1964. 3/

By June 9, 1964, the Secretary of Agriculture reported that a series of actions taken had made legislation establishing beef import quotas unnecessary. The Department had undertaken a special beef purchase program for school lunches and needy persons, and was working with the industry on vigorous promotional efforts. The Government had worked closely with other countries which exported to us, with the result that imports in 1964 would be cut back to the 1959-63 average.

1/ Congressional Record, Jan. 8, 1964, p. 48; Jan. 23, 1964, pp. 952-969.

2/ George L. Mehren, Address, U. S. Department of Agriculture, Press release 383-64, Feb. 6, 1964.

3/ U. S. Department of Agriculture, Press release 701-64, Mar. 3, 1964 and 1492-64, May 5, 1964.

At the same time, the administration had moved to expand export markets for beef, through a Presidential mission to Europe and a market development agreement with the American Meat Institute. Finally, the President had asked Congress to establish a Commission on Food Marketing to study marketing costs and margins in the wholesale and retail marketing structure. 1/ Over a period of months, these efforts helped the cattle industry overcome, in part at least, the near-disastrous price declines of 1964.

This illustrates what can be and often is done to assist producers of a commodity not covered by regular price supports.

Cropland Adjustment

Before the beginning of the decade of the 1960's, agriculture had become overloaded and economically burdened with grain and fiber which could not be used at home or channeled into foreign outlets. The effort to bring that accumulation more nearly in line with demand began in 1961 through the use of annual acreage diversion programs (dealt with in another chapter), which required that participants devote the diverted acreage to a soil conserving use or to designated crops for which demand exceeded supply.

Long-term acreage diversion programs also were needed as a part of this supply management effort and as a means to get more cropland changed over to conserving uses. These programs are dealt with immediately below.

1/ U. S. Department of Agriculture, Press release 1905-64, June 9, 1964.

Another program which gets much cropland and other farmland established or continued in conserving uses is the longtime and quite different Agricultural Conservation Program (ACP), which also is discussed in another chapter.

Cropland Conversion Program, 1963-1968. The Cropland Conversion Program (CCP) was initiated in 1963 by title I of the Food and Agriculture Act of 1962 (Public Law 87-703, September 27, 1962). It was authorized as a pilot program (limited to $10 million on payments required to be made in a calendar year) to test one approach to helping restore a balance in the overcapacity of agriculture--the ability to produce, at least through 1980, all the crops we shall need on about 50 million fewer acres than the current acreage of cropland.

Under the 1963 CCP, 130 thousand acres of row crop, small grain, and tame hay land had been placed under 2,850 5- or 10-year agreements in 120 counties of 38 States to convert those designated acres to other (including income-producing) uses such as grazingland, woodland, wildlife habitat, or outdoor recreation enterprises.

The program helped the participants make adjustments beneficial to both themselves and the public and provided very useful information and experience for conducting a somewhat similar countrywide effort (the Cropland Adjustment Program) under different legislation.

An agreement was entered into between ASCS and USDA's Economic Research Service to conduct field investigational work and staff studies on the CCP, to help guide future developments with respect to the operations of the program and analysis of its accomplishments. These studies were made with respect to the 1963, 1964-65, and 1966 CCP, and are available.

Experience with the 1963 program indicated that the CCP approach could be an effective and practical one and that it should be continued. The Administration requested the Congress to expand the CCP to permit offering it to farmers in all of the 48 original States and to fund the program for accepting additional agreements in 1964. The Congress declined to authorize the expansion, primarily due to the possibilities of devoting much additional land to grazing when there then appeared to be little economic justification for materially increasing beef and dairy production.

Authorization to continue the pilot program was given upon enactment of the USDA appropriation act on September 2, 1964.

The 1964-65 CCP was initiated in the late fall of 1964 by entering into 5-year agreements for the same basic purposes as for the 1963 program. While land treatment measures could be begun and cost-shares paid late in 1964, the cropland conversion was first accomplished with respect to the 1965 crop year.

The program itself was quite similar except that authority to enter into recreation enterprise agreements only in any county, which had been a feature of the 1963 CCP, was not offered in the 1964-65 CCP.

The program was offered in 101 counties of 36 States, and about 5,600 agreements on 324,000 acres were entered into. These committed payments over the full 5-year period of close to $15,000,000. The program was offered on an intensified (high dollar allocation) basis in seven of these counties representing principal crop-type areas (feed grains, winter wheat, spring wheat, and cotton). The ERS study of these 1964-65 agreements evaluated the program results.

Of the crop reductions obtained under these 1964-65 agreements, about one-third was from feed grain bases, one-tenth from wheat, one-tenth from soybeans, and the remainder (close to one-half) from cotton and other crops.

The Cropland Adjustment Program (CAP), authorized by title VI of the Food and Agriculture Act of 1965, had been initiated in the fall of 1965, to be generally available throughout the 48 original States.

After the provisions of the 1966 CAP had been developed, it was decided to offer the 1966 CCP on essentially the same basis except that (a) the CCP designated acres could be grazed (not allowed under the CAP except in designated natural disaster areas) and (b) the CCP adjustment payment rate per acre would be less than the CAP rate by the approximate grazing value per acre. The 1966 CCP was funded at the $7.5 million level authorized by the Congress. It was offered in 67 counties of 21 States.

A rate structure ranging upward or downward from the county "average" in varying patterns also was established for the 1966 CCP. This and other factors were studies by ERS in 24 selected counties.

Only 527 agreements covering about 19,000 designated acres (in 53 counties of 19 States) were entered into. Presumably the availability of the CAP in the same counties at higher rates (without grazing), the options under the feed grain, wheat, and cotton programs, and a later start in the spring of 1966 for the CCP than for the CAP influenced this lower than expected participation in the 1966 CCP.

Again in 1967 the CCP was offered on essentially the same basis as the CAP, except that again the CCP designated acreage could be grazed and its adjustment payment rates were lower due to the approximate value of the land for grazing. Also, the CCP agreements were limited to the minimum term of 3 years in order to permit the acceptance of a maximum acreage with the program funds available ($7.5 million authorized by the Congress in the 1967 appropriation act).

The addition of 1,615 agreements in 1967, on 135 thousand acres, and $6.6 million of obligations (in 256 counties of 28 States) brought the total CCP acreage under 1963, 1964-65, 1966, and 1967 agreements up to 0.6 million acres in 473 counties of 42 States.

The 1967 CCP acreage was diverted from: corn and grain sorghum, 66 percent; cotton, peanuts, and tobacco, 7 percent; and nonallotment crops (including wheat, barley, and rice) and tame hay, 27 percent. Most of the acreage was converted to grasses and legumes (which could be grazed) and a small amount was devoted to other uses which could include wildlife habitat, trees, and outdoor recreation enterprises.

The 1964-65, 1966, and 1967 CCP agreements, and 26,000 acres of the 1963 CCP agreements which had not expired at the end of 1967, were continued in effect in 1968. USDA considered that the pilot CCP had largely served its purpose and that the principal effort to get cropland diverted under long-term agreements could be carried out under the CAP (if funded by the Congress). Therefore, no new CCP enrollments were accepted in 1968.

Cropland Adjustment Program, 1966-1968. By 1964, it had become apparent that there was a need to come to grips, on a long-term basis, with the overcapacity in agriculture. The Nation's land and other production resources should not be wasted on unneeded and unused crops. A long-term acreage adjustment program geared to protective uses of the land and the needs of the people on that land, in combination with the annual, specific crop, acreage diversion programs, would be in the immediate and long-term farm and public interest.

This combination would improve farmer income, bring about program economies, and encourage city-country cooperation through the use of surplus cropland to increase outdoor recreation and beautification.

The Cropland Adjustment Program was authorized by the Food and Agriculture Act of 1965 (Public Law 89-321, November 3, 1965). Like certain predecessor programs (the Conservation Reserve Program, which began in 1956, and the Cropland Conversion Program, which begun in 1963), the Cropland Adjustment Program is a long-term agreement program designed to shift cropland to conserving uses as a part of an overall production adjustment effort.

The Cropland Adjustment Program has three significant differences from the earlier efforts: (1) CAP is beamed at land that otherwise would be in production of a specific crop which is in surplus supply (other land taken into the program only to make it practicable for those farmers to participate and then at a relatively low rate of payment per acre); (2) CAP offers farmers an additional payment if they will open their CAP land to public use without charge for hunting, trapping, fishing, and hiking; and (3) CAP provides authority for the Secretary to make "Greenspan" grants to other Federal, State, and local government agencies to help them acquire CAP-eligible cropland and convert it permanently to public benefit use for the preservation of open spaces, natural beauty, wildlife or recreational facilities, or the prevention of air or water pollution.

Conservation practice cost-sharing is offered for conservation measures needed in the adjusted land use, as also was the case in those earlier programs. Generally, land could not be accepted under the CAP if the ownership had changed (except by will or succession as a result of death of the previous owner) within 3 years.

The CAP proved to be substantially less expensive than the annual commodity programs per unit of production avoided. For example, the cost of diverting feed grain acreage under the 1966 and 1967 CAP (57 percent of the total acreage under agreements) was about 73 percent of the cost of diverting the same quantity of production under the 1966 and 1967 feed grain program.

The CAP appealed especially to persons who wished to reduce their farming operations by: Full or partial retirement, diversion from high labor input crops, acceptance of off-farm employment (full or part-time), or continuing under CAP land recently released from Conservation Reserve Program (CRP) contracts.

The CAP was operated first in the crop year 1966. The legislative limitation on its size ($225 million additional commitment in each year in payment for any future year) far exceeded the amount necessary to meet offers received from farmers for agreements to begin in 1966. About 2 million acres on 36,000 farms were accepted under these 5- to 10-year agreements, of which about ½ million acres on 5½ thousand farms were placed under agreements to permit free public access. Also 14 Greenspan agreements were entered into.

Payments were offered on a lump sum basis after the first year of performance (discounted as required by law for any year's payment made before performance) or in annual installments.

At least one total farm base or allotment--of feed grains (corn, grain sorghum, and barley), wheat, cotton, peanuts, rice, tobacco, or time hay--had to be placed under agreement **in 1966 along** with which any other of these full bases or allotments, or the full or a portion of the nonallotment crops base could be placed under the agreement.

No farm base or allotment was permitted to be exceeded during any year of the agreement. The farm's conserving base acreage plus the acreaged diverted under the agreement had to be maintained.

Grazing or harvesting a crop from designated acreage was forbidden by the Act, except for certain natural disaster areas designated by the Secretary of Agriculture.

Under authority of the Act the Secretary established on January 13, 1966, an Advisory Board on Wildlife to advise and consult on matters relating to his functions under the Cropland Adjustment Program.

For 1967 the Congress authorized a program level sufficient to add approximately 2 million more acres to the program. This was considered by the Department to be adequate in the light of the limited interest shown the preceeding year. However, farmer interest in placing land in the program was much greater in 1967 (offers of approximately 6 million acres were made) and considerable difficulty was experience in directing the limited program fund to the wisest use under such circumstances. An initial allocation of about three-fourths of the authorized funds was made to States and used primarily in taking agreements in the sequence in which they were offered. The subsequent allocation was generally limited to offers from people who were elderly, physically handicapped, or in need of reducing their agricultural activity in order to take advantage of off-farm employment opportunity.

The 1967 CAP remained essentially the same as the 1966 CAP, except that: Wheat, rice, and barley bases were removed from the special rate bases and allotments, but could be included as a part of the farm's nonallotment crops base. The acreage diversion payment rates per unit were increased, except for cotton. Lump sum payments were not authorized, except in the case of Greenspan agreements.

Approximately 2 million more acres on 31,000 farms were accepted in 1967 making a total of 4 million acres, and the public access acreage was increased to 1.1 million in total on more than 12,000 of the 69,000 farms under CAP agreements. During 1967, 125 more Greenspan agreements (bringing the total to 139) were made with State and local government bodies primarily for acquiring land to be put to recreational use. However, toward the close of the 1967 program signup, increasing interest was being displayed by local government bodies in obtaining grants to help buy land for pollution control purposes.

No new agreements to begin in 1968 were accepted (for reasons stated below), but the 1966 and 1967 agreements were continued in accordance with their terms.

The 1968 Federal budget requested the Congress to provide an authorization for a 1968 program which would have permitted the acceptance of about 2 million more acres. However, the Congress denied this request and expressed reluctance to see additional cropland placed under long-term agreements in 1968 due to uncertainty as to the need for continuing to hold down agricultural production in this country. (It became increasing evident even by the end of 1967 that this concern was unwarranted).

The 1969 Federal budget (being acted on in 1968) asked the Congress to authorize a 1969 CAP of about 2 million more acres, primarily as a cost reduction device, but the request was denied.

Crop Insurance

Over the years, a Federal crop insurance program, administered by the Federal Crop Insurance Corporation, has provided many farmers insurance against disaster.

1967 Program. The $779,447,000 of protection provided on farmers' crop investments in 1967 was a 23 percent expansion in service over 1966, the Corporation's previous high service year. This $143,865,000 increase was more than half of the Corporation's total business volume as recently as 1961. 1/

1/ The section on the 1967 program is based on U. S. Federal Crop Insurance Corporation, Annual Report, 1967.

As is the case every year on the nation's widely scattered farm front, thousands of farmers lost their 1967 crops due to unavoidable causes. Insured farmers will be paid indemnities through their Federal Crop Insurance policies totaling more than $51,000,000. Since the insurance periods on a few crops have not ended, the estimate used in this report could be low. More estimate than usual on losses still to be paid was necessary for this report due to delayed harvests and the $51,000,000 indemnity workload.

The 1967 indemnity total is the highest in the history of the Corporation with the exception of the early disaster year of 1946. Indemnities totaling $63,489,000 were paid by the Corporation in 1946 when wheat, cotton and flax were insured nationally. The major part of the 1946 record--$51,517,175--loss payments were paid to cotton growers. It was the 1946 experience that caused the Congress to cut back the Corporation's operations to a small experiment starting in 1948. Congress directed the Corporation at that time to develop a sounder basis for offering the needed all-risk protection to farmers. Federal Crop Insurance was offered in only 375 counties in 1948. FCIC operations have been gradually expanded as its experience improved. Its service was available to farmers in 1,364 counties in 1967.

For the expanded 1967 service insured farmers paid a record amount of premium--$43,739,000. This compares with premium income of $43,777,000 shown for 1947, the first year in which the Corporation's premium income exceeded indemnities. However, the 1947 total includes $3,128,432 of profit realized by the Corporation in the purchase and sale of insured commodities to hedge against price changes. The need for this hedging against price changes has been eliminated from current insurance plans.

A Major Problem. The Federal Crop Insurance Act empowers the Corporation to fix premiums "sufficient to cover claims for crop losses." The Office of the General Counsel has held that administrative costs of the Corporation may not be added to the Corporation's premium structure.

The Corporation has been successful since 1948 in paying indemnities from premiums and building a reserve. Beginning in 1956, a policy was started under which the Congress appropriated part of the Corporation's administrative expenses and authorized use of specified amounts of premium income for such expenses and for the direct costs of loss adjustors. Prior to that time, all administrative costs of the Corporation had been appropriated by the Congress.

Use of premiums for administrative costs has greatly reduced the capital stock of the Corporation. Since 1963 the Corporation has annually proposed an amendment to the Federal Crop Insurance Act that would delete the $12,000,000 limitation on the amount which may be appropriated annually for administrative and operating expenses.

This would permit appropriation by Congress of all administrative and operating expenses and would place the Corporation on a more realistic and practical basis of financing. It would also permit the accumulation of a reserve for future unforeseen losses in accordance with the provisions of the Act.

Each year the Corporation's legislative proposal has been denied until 1969 when it was forwarded to the Congress. Currently the legislative proposal, is pending action by the Congress. The need for this amended legislation is made more urgent because of the greatly increased liability that has been assumed during the past few years.

The need for the enactment of the proposed legislation and the appropriation of all administrative expenses was recognized by Senator Holland, Chairman of the Agricultural Appropriation Subcommittee. During Appropriation hearings for several years prior to 1969, he strongly urged the Department of Agriculture to recommend legislation to the Congress that would correct the Corporation's financial problem by discontinuing the depletion of the capital stock.

The method of financing has been one of the Corporation's major problems and will continue to be so until some change in the method of financing can be effected.

The Problem

Price support, cropland diversion, crop insurance, and many related programs are concerned with the problem of maintaining farm income in the face of excess productive capacity--excess insofar as the market is concerned.

The American farmer has been providing the American consumer with a better diet at a lower percentage of his income than ever before in our history. In 1960, the American consumer was paying 20 percent of his disposable income for food, compared with 25 percent in the United Kingdom, 36 percent in Japan, and 57 percent in India. In 1968, the American consumer paid 17 percent of his dollar for food at retail. In 1960, the average American consumed 195 pounds of meat and poultry; in 1968, 225 pounds.

Most consumers, naturally, are more interested in low-cost food than they are in income parity for farmers, while farmers are more interested in higher market prices for their products than they are in cheap food for the consumers. This sometimes causes a problem for the Department. When prices go up, it is pressured to hold them back by cutting price supports; when they go down, it is pressured to keep them up by increasing price supports and cutting imports.

The Department's problem was illustrated by an incident in the Spring of 1966. On March 31, 1966, President Johnson said that farm prices for food and prices for three metals were responsible for 80 percent of the current inflation. 1/ Then a news story in the

---

1/ Public Papers of the Presidents, Lyndon B. Johnson, 1966, Vol. I, p. 376.

New York Times for April 1, 1966, began: "Secretary of Agriculture Freeman expressed pleasure today with the fact that the prices of farm products had dropped recently." The Secretary was announcing increases in support prices for milk and soybeans to insure adequate supplies at reasonable prices. At the same time, he pointed out, farm prices for many products had decreased since February 15, 1966. He urged the food marketing industry respond to lower farm prices by lowering retail prices.

Almost immediately, several farm-State Congressmen and Senators, farm organizations, and other farm interests took the Secretary to task for his alleged statement. 1/ The President of the American Farm Bureau Federation charged that the Administration was making the farmer a "whipping boy" for inflation. 2/ The Executive Committee of the National Farmers Union stated that "until farm income is on a parity with the income being earned in other segments of our economy, there is no inflation resulting from the farmer's share of retail food costs." 3/ A leading Midwestern farm journal warned that the Department "must put farmers first." 4/ On June 16, 1966, the Senate took action by passing a resolution warning all Federal agencies and officials against cutting or freezing farm prices below parity levels. 5/ The Secretary said on

---

1/ For examples, see: Congressional Record, Apr. 5, Apr. 19, Apr. 21, May 4, 1966.

2/ American Farm Bureau Federation, Official News Letter, Apr. 18, 1966.

3/ National Union Farmer, May 1966.

4/ Wallaces' Farmer, Apr. 23, 1966.

5/ Congressional Record, June 16, 1966.

April 15, 1966, that the Administration had fought hard for better farm income. Later, in a television interview, he said that he was opposed to cyclical ups and downs because "They result in more production--a lot more production--and a price break. That hurts the farmer, and the high price and the swing hurts the consumer. Basically, the interest of the farmer and the consumer are alike in this." In a radio broadcast, the Secretary said that consumers should be grateful to farmers, and that he had never said that he was pleased by lower farm prices--only that he wanted to avoid extremes and was pleased by the moderation of a few very high peaks. Farm efficiency and abundance would contribute to a moderation of the cost of living. 1/

Abundance has been achieved, and achieved efficiently. In 1960, the average farmworker produced food and fiber for 26 people--22 in the United States and 4 abroad. In 1968, he produced for 42 people--36 in the United States and 6 abroad. This was possible because he was backed by and made sound use of advanced research, technology, and marketing systems.

But abundance produced efficiently still has not solved the problem of providing the farmer with a fair share of the national income. In 1953, the total realized net income from farming in the United States was $13.7 billion; in 1960, $11.7; in 1966, $16.4; and in 1967, $14.2.

1/ U. S. Department of Agriculture, Press release 1171-66, Apr. 15, 1966; Press release, "Transcript of Interview Between Secretary Freeman and Ray Scherer on Today, May 3, 1966; Press release, "Freeman Says Consumers Should be Grateful to Farmers," May 6, 1966.

When this income was divided among all farms in the United States, the realized net income from farming per farm in 1953 was $2,751; in 1960, $2,962; in 1966, $5,000; and in 1967, $4,526. In August 1968, the projected net income per farm for 1968 was $4,800. Grain prices in 1968 were down from 1967. At the same time, in the first 7 months of 1968, crop prices averaged 3 percent and livestock and products averaged 12 percent above 1960. 1/ However, in relation to other segments of the population, farm income seemed to be falling behind.

As President Johnson stated on February 27, 1968: "But the American farmer, who helped to build America's prosperity, still does not fully--or fairly--share in it. While retail food prices have risen in recent years, the prices the farmer receives have actually declined 9 percent in the past two decades.... His income lags. It is less than two-thirds the per capita income of the city dweller.... Much will be required to assure the farmer his fair and full share of America's abundance." 2/

1/ Secretary Orville L. Freeman to Senator Walter F. Mondale, Aug. 23, 1968. In: Orville L. Freeman, Chronological Correspondence File, Lyndon Baines Johnson Library.

2/ 4 Weekly Comp. Pres. Doc. 364.