CHAPTER I

Chapter I

THE PRESIDENT AND THE DEPARTMENT--AN OVERVIEW

<u>Background on U. S. Agriculture</u>

<u>Background on Farm and Food Prices</u>

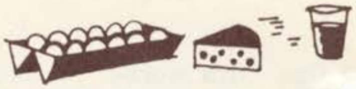
<u>Message on Agriculture, January 31, 1964</u>

<u>U. S. Department of Agriculture</u>

BACKGROUND ON U.S. AGRICULTURE

Leaflet No. 491 • U. S. Department of Agriculture

Farming Is Food



Each of us in 1964 consumed these and other products of farm and ranch:

- 174 pounds of beef, veal, pork, lamb, and mutton.
- 39 pounds of chicken and turkey.
- 186 pounds of fruits (fresh fruit equivalent).
- 225 pounds of vegetables (fresh vegetable equivalent).
- 623 pounds of dairy products (whole milk equivalent).
- 109 pounds of potatoes and 7 pounds of sweetpotatoes (fresh equivalent).

We can choose from as many as 6,000 different foods when we go to market—fresh, canned, frozen, concentrated, dehydrated, ready-mixed, ready-to-serve, or in heat-and-serve form.

Clothing

In 1964, we used:

- 4.2 billion pounds of cotton, or nearly 23 pounds per person. That's the equivalent of about 24 house dresses, or 36 dress shirts, for every man, woman, and child in the Nation.
- 490 million pounds of apparel and carpet wool, more than 2 pounds per person.
- And research has given these natural fibers new qualities. Specially treated cotton resists everything from wrinkles to fire. Wool can be treated to keep it from shrinking when it is washed.

Shelter

It takes 1 acre of healthy forest 20 years to grow the lumber for a 5-room frame house.

Farmers and other small woodland owners control 59 percent of the Nation's commercial forest; 3 out of 4 forest owners are farmers.

And Other Products

Paper. About 460 pounds of paper per person is used each year. This requires the net annual wood growth from about ¾ acre of commercial forest. A large New York newspaper uses the equivalent of the yearly growth from 6,000 acres of commercial forest land for its Sunday issue, or the growth from 500,000 acres every year.

And the day of the "wood-burning rocket" may arrive. Nitrocellulose, derived mainly from wood pulp, is a major ingredient of some solid fuel propellants of rockets.

What Does the Farmer Receive?

For Food

37 cents of each $1 spent for food.

2.5 cents for the corn in a 29-cent box of cornflakes.

54 cents of each $1 spent for choice beef.

2.5 cents for the wheat in a 21-cent loaf of white bread.

About 11 cents from a 26-cent quart of milk.

For Clothing

About 27 cents for the cotton in a man's $4 business shirt.

For Shelter

About 25 cents stumpage for each $1 worth of pine lumber produced from his woods.

Income From His Labor and Capital

Farm people in 1964 received:

- $36.7 billion in sales of crops and livestock, about $10,500 per farm; with a net income for farm operators of $12.6 billion from farming, $3,600 per farm.
- $1,515 of personal income per capita—$980 from farm sources and $535 from nonfarm sources. "After-tax" income of farm people was $1,400; of nonfarm people, $2,320.
- $1.06 cents an hour income for farmwork. By contrast, 1 hour's work in a factory averaged $2.53, and hourly earnings in food marketing averaged $2.25.

What Do We Spend For Food?

From Our Income

19 percent of our disposable income went for food in 1964. If we had bought in 1964 the same kinds and quantities of food we ate in 1935–39,

Background on—

U.S. AGRICULTURE

American agriculture has advanced more in the past 50 years than in all the prior years of our history. Modern farming and ranching, combined with a progressive system of marketing, processing, and merchandising, provide:

- Abundant, wholesome food when, where, and how we want it.
- Farm products with new qualities for home and industry.

The foundation for continuing agricultural progress, which reaches from farm to market to home or industry, is research and the hard work and ingenuity of farmers and ranchers.

Research by Government and industry is constantly improving plants and animals, providing better management of soil and water, finding new uses for farm products, and devising new and better methods of marketing, transporting, storing, and merchandising farm products. Educational services quickly carry the new knowledge to farmers and others who put it to use.

What Is Modern Farming?

The Nation's Biggest Industry

Farming employs 6 million workers—more than the combined employment in transportation, public utilities, the steel industry, and the automobile industry.

Agriculture's assets total $230 billion, equal to:

About ⅔ of the value of current assets of all corporations in the United States, or

About half the market value of all corporation stocks on the New York Stock Exchange.

The value of agriculture's production assets represents over $27,000 for each farm employee.

3.4 Million Producers

This biggest of the Nation's industries is composed of 3.4 million independent producers. In 1963:

1,523,000 farms (47 percent of all farms) sold less than $2,500 worth of farm products.

463,000 (16 percent) sold farm products worth $2,500 to $4,999.

609,000 (17 percent) sold farm products worth $5,000 to $9,999.

978,000 (20 percent) sold farm products worth more than $10,000.

About 125,000 farms in 1963 had sales of farm products totaling more than $40,000.

A Good Customer

The farmer spends nearly $30 billion a year for goods and services to produce crops and livestock; another $12 billion a year for the same things that city people buy—food, clothing, drugs, furniture, appliances, and other products and services.

Each year the farmer's purchases include:

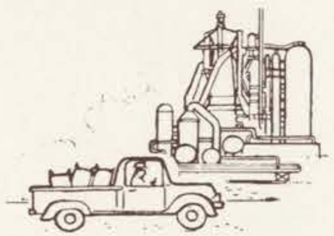
$3.4 billion in new farm tractors and other motor vehicles, machinery, and equipment. It takes 120,000 employees to produce this farm equipment.

$3.4 billion for fuel, lubricants and maintenance of machinery and motor vehicles. Farming uses more petroleum than any other single industry.

$1.8 billion for fertilizer and lime; and, farmers use more each year.

Products containing 320 million pounds of rubber—about 9 percent of the total used in the United States, or enough to put tires on nearly 6 million automobiles.

28 billion kw.-hrs. of electricity—or more than 4 percent of the Nation's total, or more than is needed annually by Baltimore, Chicago, Boston, Detroit, Houston, and Washington, D.C.



5 million tons of steel in the form of farm machinery, trucks, cars, fencing, and building materials. Farm use of steel accounts for 40,000 jobs in the steel industry.

A Creator of Employment

3 out of every 10 jobs in private employment are related to agriculture.

Six million people have jobs providing the supplies farmers use for production and family living.

Eight to ten million people have jobs storing, transporting, processing, and merchandising the products of agriculture.

Here are a few examples from the 1963 Census of Manufactures:

Meat and poultry, including meatpacking, prepared meats, and poultry dressing plants—299,000 employees and a payroll of nearly $1.6 billion.

Dairy, including fluid milk, concentrated and dried milk, natural cheese, creamery butter, ice cream, and special dairy products—258,000 employees and a payroll of more than $1.4 billion.

Baking, including bread and related products and biscuits and crackers—282,000 employees and a payroll of more than $1.[illegible] billion.

Fruits and vegetables, canned, frozen, and processed as pickles and sauces—171,000 employees and a payroll of $659 million.

Cotton broadwoven fabrics industry—208,000 employees and a payroll of $767 million.

An Efficient, Progressive Industry

One hour of farm labor produces more than 5 times as much food and other crops as it did in 1919–21. Crop production is 70 percent higher per acre. Output per breeding animal has doubled.

Productivity of the American farm worker since the 1950's increased by 7.7 percent a year.

Output per man-hour in nonagricultural industry increased by 2.8 percent a year.

One farm worker produces food, fiber, and other farm commodities for himself and 32 others.

A Taxpayer

In 1964:

Farm real estate taxes totaled $1.6 billion.

Tax on personal property on farms was nearly one-third of a billion dollars.

Federal and State income taxes paid by the farm population amounted to $1.2 billion.

Net taxes paid by farmers on motor fuels were $320 million.

Motor vehicle license fees and taxes paid by farmers were about $180 million.

Sales taxes totaled about $350 million.

Food Supplier to the World

The United States is the world's largest exporter of agricultural products.

Eighty million acres of our 300 million harvested acres produce for export. The land producing for export represents about the same acreage of cropland as that harvested in Nebraska, Iowa, Kansas, and Illinois.

$6.2 billion in farm products were exported in 1964.

Abundance Works for Peace

American agricultural abundance is a powerful force for world peace. Our food and other farm products are helping to relieve hunger and to promote economic growth in the newly developing countries of the world. Our wheat is providing an additional 5 billion loaves of bread a year for the people of India.

We accept foreign currencies from countries that need our farm products but are short of dollar exchange. We also barter or trade our agricultural products for strategic defense materials—more than $1.8 billion worth since July 1, 1954.

we would have spent only 13 percent of our 1964 income.

We spent 24 percent of our disposable income for food in 1930 and 22 percent in 1940. In 1947, food took 27 percent of our take-home pay.

In Terms of an Hour's Work

1 hour's work in a factory buys more food today than it did 20 or 30 years ago. Pay for 1 hour's factory labor would buy:

Round steak: 2.4 pounds in 1964; 2 pounds in 1944; 1.4 pounds in 1934; *or*

Bacon: 3.8 pounds in 1964; 2.5 pounds in 1944; 1.8 pounds in 1934; *or*

Milk: 9.6 quarts in 1964; 6.5 quarts in 1944; 4.7 quarts in 1934; *or*

Oranges: 2.9 dozen in 1964; 2.2 dozen in 1944; 1.5 dozen in 1934.

As Compared With Other Products

Food costs have risen less since 1947–49 than most other consumer items in the cost-of-living index. For all items on the list, the increase in cost to 1964 was 33 percent. For all food, the increase was 26 percent. For rent, it was 48 percent, and for medical care 72 percent.

The farmer gets none of the increase in cost for the food he produces. In fact, he receives 15 percent less for the farm food "market basket" than he did in 1947–49. This accounts for the fact that the cost of farm-grown food has risen only 14 percent, although processing and marketing costs have risen 43 percent.

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BACKGROUND
ON
FARM AND FOOD PRICES

1. Because of their record productivity, farmers have been able to provide us with an abundant supply of food.

   -- In 1966, one U. S. farmworker supplied the food and fiber needs of 39 persons, compared with 23 in 1957-59.

   -- Output per man-hour on the farm increased 57 percent between 1957-59 and 1966. Total farm output increased 13 percent.

2. In order to assure U. S. consumers of a continuing abundant and fairly priced food supply, farmers must be adequately compensated.

   At today's prices, hourly earnings of most farmers are still less attractive than the earnings of industrial workers:

   -- In 1966, factory workers averaged $2.71 per hour compared with $2.12 in 1957-59.

   -- Allowing for a capital charge of 4.1 percent (long-term average paid on debts to Federal Land Banks), farmers on different types of farms have fared as follows:

Type of farm	Hourly earnings 1957-59	1965	1966 (Preliminary)
Dairy farms:			
Eastern Wisconsin (Grade A)-----	$ .81	$ .75	$1.50
Corn Belt farms:			
Hog-beef fattening--------------	1.69	3.66	3.95
Tobacco farms:			
Coastal Plain, North Carolina---	1.01	1.68	2.20
Wheat farms:			
Northern Plains-----------------	.99	3.09	2.80
Southern Plains-----------------	2.31	1.80	2.20
Cattle ranches:			
Intermountain region------------	2.11	1.21	1.70

3. Consumers were supplied with more food in 1966 than in 1957-59.

   -- Food consumption increased 2-1/2 percent per capita.

   -- A 1-1/2 percent increase in per capita consumption of total animal products reflected a large increase for poultry and beef, less for pork, veal, lamb, eggs, total dairy products, and animal fats.

U. S. Department of Agriculture | February 1967

-- A 3-1/2 percent per capita gain for foods from crops was largely due to increased use of vegetable oils, potatoes, processed fruits and vegetables.

4. Out of every dollar of realized gross farm income in 1966, about two-thirds went for production expenses. Agriculture is a vast employer and purchaser of goods, services and equipment; many jobs in urban areas depend upon farming.

-- In 1966, farm production expenses totaled just over $33 billion compared with $31 billion in 1965 and $25 billion in 1957-59. Important items of expense included:

	1957-59	1966 (Preliminary)
Feed purchases	$4.4 billion	$6.5 billion
Property taxes	1.3 "	2.1 "
Interest paid	1.1 "	2.5 "
Fertilizer	1.1 "	1.8 "
Hired labor	2.8 "	2.8 "
Depreciation on motor vehicles and equipment	2.9 "	3.8 "

5. Prices farmers pay for goods and services used in production have risen.

-- The index of prices farmers pay for commodities, interest, taxes, and wage rates increased 14 percent from 1957-59 to 1966. This compares with a rise of 13 percent in the overall consumer price index and a 14 percent increase in retail prices of food.

-- Price changes from 1957-59 to 1966 in important items of farmers' production expenses were:

Feed - up 9 percent
Fertilizer - down 1 percent
Hired wage rates - up 35 percent
Farm machinery - up 24 percent
Motor vehicles - up 17 percent

6. Higher net incomes for farmers in 1965 were translated into stepped-up spending by farmers for factory products.

-- In 1966, farmers spent a record amount of over $1 billion for tractors. This compares with $482 million in 1960, and an average of $650 million in 1957-59.

-- Spending for other machinery and equipment in 1966 exceeded $2 billion compared with $1.5 billion in 1960 and an average of $1.4 billion in 1957-59.

-- Farmers purchase about 1 out of every 15 new trucks.

-- In 1966 and recent years, farmers spent about $1.5 billion for petroleum fuel and oil for use in their farming operations.

-- Farmers also spent over $2 billion for automobiles for business and personal use in 1966, more than double the amount they spent in 1960. The 1957-59 average was $1.2 billion.

-- As consumers, farmers spent approximately $3.5 billion for food in 1966 and $850 million for household furnishings.

7. Farmers in 1966, with higher realized net incomes, are expected to be even better customers of industry and business. In 1966, realized net farm income is estimated to be $16.3 billion compared with:

-- $14.2 billion in 1965

-- $12.9 billion in 1964

-- $12.5 billion in 1963

-- $12.5 billion in 1962

-- $12.6 billion in 1961

-- $11.7 billion in 1960

8. Farmers' returns from food products are a declining share of consumer income.

In recent years the share of consumer income going to U.S. farmers for their food purchases has been only about half of the share required in the immediate post-World War II period. As a percentage of disposable personal income, the returns to U.S. farmers from the sale of products used in domestic food consumption were:

-- 5.5 percent in 1966

-- 5.4 percent in 1965

-- 6.2 percent in 1960

-- 6.5 percent in 1957-59, average

-- 8.7 percent in 1950

-- 10.4 percent in 1947-49, average

9. Farmers receive less than half of each dollar consumers spend for most food products.

Farmers received an average of 40 cents of each dollar consumers spent for food in 1966, the same share as in 1957-59 but 10 cents smaller than in 1947-49. The farmer's share depends both upon the prices he receives for his product and the costs of marketing it. The more marketing services, the greater the cost. The farmer's share of the consumer's dollar is smaller for a highly serviced product such as bread (17 cents) than for an unprocessed product such as eggs (65 cents).

-- The farmer's share of the consumer's dollar varies widely among products.

	1966 Cents	1957-59 Cents
Beef, Choice grade----------	59	62
Butter----------------------	74	72
Eggs, Grade A large---------	65	64
Corn flakes-----------------	9	10
Bread, white----------------	17	16
Apples----------------------	35	29
Potatoes--------------------	30	31
Canned corn-----------------	12	13
Canned peaches--------------	16	18

10. Higher marketing costs account for the major part of the increase in food expenditures.

In 1966, consumers spent $83 billion for food products that originated on U. S. farms. Of this total, farmers got $28 billion; $55 billion went for marketing services.

-- Of the $22 billion increase in farm food expenditures since 1957-59, $7 billion, about one-third, went to farmers.

-- Of the $40 billion rise over 1947-49, $9.1 billion, less than one-fourth, went to farmers.

11. Food Marketing provides many jobs and incomes. About 5 million workers assemble, process and distribute farm-food products.

Workers range from unskilled laborers to top executives--milk truck drivers, processors, plant workers, warehouse men, supermarket checkers, restaurant waitresses, engineers, scientists, accountants, and many others.

In 1966, $24 billion in paychecks and fringe benefits went to these workers--about $6 billion more than in 1957-59. Since 1950, the increase has been $12 billion.

12. Productivity of food marketing workers is increasing.

This helps keep food costs down.

-- Despite the large increases in volume of food and services, the number of food marketing workers has not risen significantly in the last 10 years.

-- Hourly earnings of food marketing employees went up from $1.82 in 1957-59 to $2.39 in 1966, an increase of 31 percent. However, increased productivity kept the rise in labor costs per unit of product marketed to about 12 percent.

13. Food continues to take a smaller share of our incomes.

Food expenditures as a percentage of income were:

-- 18.1 percent in 1966

-- 18.2 percent in 1965

-- 18.4 percent in 1964

-- 20.0 percent in 1960

-- 20.6 percent 1957-59, average

-- 22.2 percent in 1950

-- 24.6 percent 1947-49, average

14. In terms of the amount of labor necessary to pay for our food supplies, we are better off today than we were even a few years ago.

These examples indicate the amount of food an hour of factory labor would purchase:

	In 1929	In 1957-59	In 1966	Change 1957-59 to 1966
				Percent increase
White bread, lb.	6.4	11.0	12.2	11
Round steak, lb.	1.2	2.1	2.4	14
Butter, lb.	1.0	2.8	3.3	18
Milk, qt.	3.9	8.4	9.7	15
Eggs, doz.	1.1	3.7	4.5	22
Pork chops, lb.	1.5	2.4	2.6	8
Margarine, lb.	2.1	7.3	9.4	29

15. Incomes rise faster than food expenditures; this allows more money for other purchases.

Between 1957-59 and 1966, on a per person basis:

-- Income up $721; 39 percent.

-- Food expenditures up $83; 22 percent

-- Income less food expenditures up $639; 44 percent

16. Consumer expenditures for autos and gasoline rise much faster than for food.

Between 1958 and 1966 (preliminary estimate):

-- Sales in retail food stores were up 45 percent. (A part of this rise can be attributed to an increase in nonfood items sold in retail stores.)

-- Sales by automotive dealers rose 80 percent.

-- Sales by gasoline service stations rose 62 percent.

In 1966 combined dollar sales of automotive dealers and gasoline service stations were nearly 13 percent higher than sales of retail food stores.

17. Convenience foods add to the food bill; they also save homemakers many hours in the kitchen.

Here are a few examples of differences in cost per serving in December 1966:

	Serving size, oz.	Cost per serving (cents) Purchased	Home prepared
Beef dinner	11.0	59.0	45.0
Turkey dinner	12.5	59.0	25.7
Pizza	8.3	38.6	20.3
Hash brown potatoes	3.9	6.7	3.7
Apple pie	4.7	8.2	6.2

18. Eating out adds to the food bill.

Prices for food away from home have increased much more than prices for food at home.

-- In 1966, restaurant meals were 23 percent higher than 1957-59; grocery-store prices of food were up less than 13 percent.

19. In the post-war period, farmers' prices have had an important stabilizing effect on food prices and the cost of living.

-- Farm prices in 1966 were 2 percent below the 1947-49 average.

-- Retail food prices in 1966 were 35 percent above the 1947-49 average.

-- The overall consumer price index in 1966 averaged 39 percent above 1947-49.

20. Between 1957-59 and 1966, prices of food purchased for use at home increased 13 percent; the increase for services was 22 percent. During the same period, the cost of transportation rose 13 percent; the cost of medical care increased 28 percent.

21. Food prices are only one of several factors in the higher cost of living in 1966.

Between December 1965 and December 1966 the cost of a $100 "basket" of all goods and services bought by consumers rose by an average of $3.30. The major components of this increase were as follows:

Food	$0.85
Other nondurables (apparel, fuel, household supplies)	.67
Durable goods	.13
Services (medical care, personal services, utilities, transportation, etc.)	1.65

22. Prices of all major items in the Consumer Price Index rose in the past year.

Between 1965 and 1966 the CPI rose by 2.9 percent (December 1965-December 1966 - 3.3 percent), about twice the average annual gain between 1957-59 and 1966. Increases by groups were as follows:

	Change, 1965 to 1966 Percent	Dec. 1965 - Dec. 1966 Percent
Food	5.0	3.8
Food at home	5.0	3.4
Food away from home	4.6	5.3
All services	3.8	4.9
Medical care	4.4	6.6
Personal care	2.1	3.4
Public transportation	3.6	6.4
Commodities less food	1.3	1.9

23. The greater-than-average increase in food prices in the last year reflects:

-- Rising levels of employment and consumer income.
-- Greater food use by the military.
-- Increased demand for food products for industrial and other non-food uses.
-- Strong export demand.
-- Some reduction in total production of food products; hence, farmers' prices averaged 7 percent higher.
-- Drawing down of food stocks.

24. During 1967, prices received by farmers are expected to have a stabilizing effect on retail food prices.

-- Increases in production of citrus, poultry, and eggs expected.
-- Advances in retail prices are more likely to reflect rising marketing costs than tight supplies of farm food commodities.

25. The abundant production from U. S. farms makes possible an ever-growing foreign trade which is an important source of income to the Nation.

-- Exports of U. S. farm products set a record $6.9 billion in 1966.
-- Commercial agricultural exports earned more than $5.3 billion worth of dollar exchange and greatly helped the Nation's balance of payments.
-- The United States is the world's largest exporter of farm products. Our Nation accounts for 20 percent of world agricultural trade.

26. The American farmer has become a farmer for the world. Millions of people in other lands have a stake in the productivity of the American farmer.

-- One out of every four harvested acres is produced for export.
-- In fiscal 1965-66, almost two-thirds of the U. S. wheat crop, two-thirds of the dried edible peas, over half the milled rice, two-fifths of the soybean crop, more than one-third of the grain sorghum and nonfat dried milk production, and one-fifth of the cotton crop were shipped to consumers abroad.
-- Since 1954, more than 155 million metric tons of U. S. food have gone to people all over the world.
-- Two-thirds of the world's people live in countries with nutritionally inadequate national average diets. In these countries the most rapid population growth is expected. World need for food will be great in the future.
-- Both consumers in prosperous countries and consumers in less developed countries look to the United States as an important source of food and fiber. Two-thirds of U. S. agricultural exports go to the prosperous countries; one-third goes to the less developed countries.

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FOR RELEASE AT 12 NOON (EST) January 31, 1964

NOTICE: There should be no premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this speech until 12:00 noon January 31, 1964, which includes any and all references to any material in this message.

Pierre Salinger
Press Secretary to the President

THE WHITE HOUSE

MESSAGE ON AGRICULTURE

TO THE CONGRESS OF THE UNITED STATES:

American agricultural economy is the most productive in the world. Its efficiency is constantly increasing. One American farmer today provides 25 domestic consumers and 4 people overseas with their total food and fiber needs. His output has increased 140% since the end of World War II, almost 3 times the gain in non-farm productivity. The consumer, as a result, must spend a smaller percentage of his budget to meet his food needs than ever before in our history.

During the past three years a series of new farm programs and policies has achieved considerable progress toward three basic goals of this Administration's agricultural policy, higher farm income, reduced farm surpluses and lower governmental costs.

.. Gross farm income in 1963 was 3.2 billion dollars higher than in 1960, a gain of 8 percent.

.. Net income per farm rose during this same period from $2,961 to $3,425, a gain of 16%.

.. Government stocks of feed grains have declined by 22,000,000 tons from their 1961 high of 85,000,000 tons, enabling us to save $230,000,000 a year on storage and other carrying charges.

.. Our agricultural exports in 1963 were $5.6 billion, the highest in history. They represented one quarter of our total exports of goods and services.

.. Farm-dependent towns and industries have reflected this economic improvement. Bank deposits in agricultural counties have increased 20%; and farmers have been able to purchase an estimated $800,000,000 more in farm equipment in the past 3 years than they would have been able to buy with a 1960 level of income.

But statistical totals can be deceiving.

The income of the average farm family is still only 55% of that received by the average non-farm family.

Steadily rising costs are still eating up the major portion of the increase in gross farm income, forcing upon the farmer a cruel cost-price squeeze.

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Almost one-half of our nation's poor live in rural areas.

Farming communities have 3 times the proportion of dilapidated and substandard homes as the rest of the nation.

Three-quarters of those employed as farm laborers earned less than \$2,000 a year in cash wages from all sources.

Our task, therefore, is three-fold:

<u>First</u>: to maintain and improve farm income, strengthening the family farm in particular;

<u>Second</u>: to use our food abundance to raise standards of living both at home and around the world; and

<u>Third</u>: to accelerate the development and conservation of both material and human resources in rural America, where 1/3 of our citizens live.

Policies to strengthen the economy of rural and urban areas must go hand-in-hand. Prosperity on the farm gives impetus to prosperity in the city. New uses of land and water which are no longer required to produce food and fiber can serve the needs of both urban and rural residents.

The family farm is, and should remain, the key production unit. Exposed over the years to the most severe comparative and competitive tests, it has proved itself to be the best adapted to the American free enterprise system.

I. Strengthening American Agriculture

The agricultural commodity programs developed during the past 30 years have served us well. They are now an indispensible bulwark of our agricultural economy. Without them our food supply would be much less secure than it is today.

But they are in need of improvement. New conditions arising from the technological revolution in agriculture present a special challenge -- a challenge based upon the problems of abundance rather than scarcity.

Food and fiber policies must reflect the opportunities as well as the problems which accompany abundance. The need to consider our agriculture policies in this light has recently been reflected in joint resolutions introduced in both Houses of the Congress which would establish a bipartisan Commission to study the food and fiber programs of the United States. The programs which I am proposing to the Congress in this Message, reflect in turn, my own determination to view our agricultural abundance as an opportunity for achievement rather than a cause for alarm.

Those commodities requiring immediate attention are cotton, wheat dairy products, sugar and potatoes. At present, the program for these foods and fibers serve neither the producers, the consumer nor the tax payer as well as they should.

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1. Cotton. The needs of neither the cotton grower, the cotton handler, the cotton textile mill, nor the consumer are being satisfied by the existing legislation. The cotton industry as a whole is our second largest. More than 1,000,000 people are engaged in growing cotton -- and additional 1.5 million people are employed in the production of cotton cloth and cotton products for consumers -- and additional millions work in firms which supply the goods, machinery and services to the industry.

Domestic cotton prices are much higher than world prices. Consequently, our textile mills must pay more for cotton than their foreign competitors.

In addition, despite the fact that the 1963 acreage allotment was held to the statutory minimum, sharply increased farm yields, combined with a continuing loss of markets -- as cotton products are displaced by imports and by other fibers -- has caused a sharp rise in the inventories of cotton held by the Commodity Credit Corporation. The carry-over on August 1st will be almost 2,000,000 bales higher than it was last year -- adding over $300,000,000 to the cost of the cotton program. The carry-over will be enough to supply our domestic needs for 18 months.

Several legislative proposals are now pending before the Congress to deal with this program. I recommend the enactment of legislation which will (1) make cotton more competitive with other fibers and eliminate the inequity of the present two-price system under which cotton used domestically is priced substantially higher than cotton sold for export; (2) make it possible for growers who desire to do so to produce cotton at world prices, without any subsidy, on a basis which will not add to our stocks; and (3) maintain the income of cotton growers while reducing excessive carry-over stocks.

2. Wheat. Changes in the wheat program are urgently needed to check a drastic decline in producer income from the 1964 crop. In the absence of additional legislation it is estimated that wheat producers will receive between $500,000,000 and $700,000,000 less in 1964 than they did in 1963.

I recommend that the existing law be amended to permit producers to participate in a certificate program on a voluntary basis. The law should be designed to (1) raise the income of wheat growers substantially above what it would be in the absence of new legislation; (2) avoid increases in budgetary costs; (3) maintain the price of wheat at a level which will not increase the price of bread to the consumer, and (4) enable the United States to discharge its responsibilities and realize the benefits of the International Wheat Agreement.

In order to be effective for the 1964 wheat crop, the legislation must be enacted immediately. I urge prompt consideration and disposition of this legislation.

3. Dairy. Modern dairying requires a large capital investment and a high degree of technical skill. No industry is more important to our health. Yet income to many efficient farmers is cruelly low, and this year it was reduced considerably by drought in many areas. I believe that a system for voluntary adjustment of out put is the key to a successful dairy program. I recommend legislation to (1) provide incentives to dairy farmers to reduce surplus production and (2) permit producers in federal milk marketing order areas, through a "base excess plan" to reduce their production of milk without reducing their share of the Class I market.

4. Sugar. The rise in sugar prices in 1963 reflected a reduction in world supplies. The Cuban crop was about 1/2 the pre-Castro level. Europe had two poor sugar beet crops. But the fears voiced last year that the United States would be unable to obtain sufficient sugar proved groundless. Action by the Department of Agriculture assured sugar users an adequate supply and helped halt the price increases that attended heavy buying in anticipation of shortages.

However, the experience of the past year -- and the fact that foreign sugar quotas expire at the end of 1964 -- highlight the need for some action at this session of Congress to assure ample supplies of sugar to consumers at fair prices.

I recommend the removal of marketing restrictions on the sale of domestically produced sugar during the calendar year 1964. This legislation will relieve the pressure on world market supplies at a time when these supplies are short.

The effectiveness of our present arrangements for foreign sugar procurement are under intensive study. On the basis of this study I shall -- early in this session -- make recommendations for remedial legislation.

5. Potatoes. Potato production is vulnerable to extreme price fluctuations resulting from wide variations in production. I recommend the enactment of legislation which will permit potato producers, if they so approve by referendum, to be given acreage allotment and marketing quotas aimed at stabilizing potato prices.

6. Strengthening Cooperatives. Farmers should be encouraged to maintain their position in the market place through their own efforts, and to utilize cooperative organizations for this purpose. This has been the declared policy of the Congress for many years, and the extremely large capital investments required in modern farming have increased the need for such cooperatives to furnish harvesting, storing, processing, transporting and marketing services, as well as electric and telephone services and other consumer needs, as a means of increasing net farm income. New legislation is needed to clarify the right of cooperatives to expand their operations by merger and acquisition. I shall shortly transmit to the Congress, also, legislation to provide additional credit facilities to permit rural cooperatives to assume additional responsibilities in the war to combat poverty.

7. Futures Trading. Trading in futures contracts on commodity exchanges is an old and valuable method of providing essential pricing service to farmers, processors and handlers. When adequately policed and protected, it is an essential means of shielding producers from the hazards of major price fluctuations. Yet it is clear that the present authority of the Secretary of Agriculture -- which covers trading of an annual value of nearly $50 billion -- is inadequate for effective supervision of the futures markets. Accordingly, I shall shortly transmit to the Congress legislation to remedy the defects of the present law without impairing the basic operations of commodity exchanges.

8. Shifting Cropland to Less Intensive Uses. One of the major problems facing American agriculture today involves the balance between land devoted to various crops and land used for other purposes. Cropland should be sufficient to produce all of the food and fiber we can expect to consume at home and export abroad; and all land not needed for this purpose should be shifted to other uses.

Rental contracts on 7.4 million acres of cropland that were placed in the conservation reserve between 1956 and 1960 expired December 31, 1963. That program was expensive, for it was designed -- not to encourage long-term shifts of land to more desirable uses -- but as a short-term measure. In its place I recommend a program which encourages the permanent transfer of excess cropland into trees, grass, wildlife habitat, outdoor recreation and other uses for which there is a growing public demand.

The Agricultural Act of 1962 authorized a pilot program of this kind under which $10 million is the maximum available. This limitation should be increased to $50 million.

9. Market Power. There is one more pressing need if American agriculture is to be strengthened. The recent changes in the marketing structure for distribution of food are as revolutionary as those in production. There are some 200,000 retail grocery stores, but we know that one out of every two dollars spent for groceries goes to fewer than 100 corporate, voluntary or cooperative chains. Our information about how this greatly increased concentration of power is affecting farmers, handlers and consumers is inadequate. The implications of other changes that take place as vertical integration and contract farming have not been fully explored. I urge that the Congress establish a bipartisan Commission to study and appraise these changes so that farmers and business people may make appropriate adjustments and our government may properly discharge its responsibility to consumers.

II. Increasing the Use of Agricultural Abundance

1. Domestic Food Distribution Programs. Inadequate and poorly balanced diets both accompany and contribute to low income and low productivity. We now distribute surplus foods to nearly 6 million needy Americans.

Under the pilot food stamp program, initiated administratively in 1961, needy people in 43 areas can increase their food purchases through regular commercial channels. I recommend legislation to place this program on a permanent basis and to make it more widely available.

The School Lunch Program now insures nutritious lunches in 68,000 schools to one-third of the school children of the nation. Federal funds to be provided for the attack on poverty should be used to enable schools in eligible low-income areas to install food preparation facilities necessary to permit participation in the school lunch program.

As a part of our war on poverty, I am directing the Secretary of Agriculture to give special attention to our hardest-hit areas in all of the food distribution programs.

2. Food for Peace. The immense efficiency of American agriculture is dramatically illustrated to the rest of the world by our Food for Peace program. Under this unprecedented effort, the United States has supplied nearly $11 billion worth of food and fiber to over 100 countries. It is a powerful instrument of our foreign policy -- directed toward peace, progress, freedom and human dignity.

Food for peace serves many purposes.

.. It feeds the hungry throughout the world;

.. It is both symbolic of our concern for the less fortunate and concrete evidence of our own system's success;

.. It furnishes resources for investment in the developing countries; and

.. It opens up a productive outlet for current farm surplus while developing new commercial markets for future output.

Titles I and II of this law expire on December 31, 1964. Under Title I -- the principal authority for the Food for Peace program -- sales of agricultural commodities are made for foreign currencies. Under Title II, grants of food and other agricultural commodities are made to needy people abroad. I recommend extension of both of these titles for 5 years.

III. Rural Areas Development

We have declared a relentless war on poverty in America. Our goal is not merely relief for the poverty stricken. We must undertake measures that will give the poor an opportunity to become productive citizens. No one weapon is enough. I shall shortly transmit to the Congress a special message on poverty. It will apply to both urban and rural people. The varied resources of many federal agencies and of the state and local governments must be joined together. Better education, training, health services and housing must be provided. Measures to increase the ability of our poorest citizens to become more productive must be devised, not as temporary relief, but as an investment in human resources.

The economic distress of many small communities is frequently different from its counterpart in the larger cities. There are many problems of those who use farming as a part-time occupation and must find their major livelihood in town; the special problems of the rural aged, and many others. I am asking the Secretary of Agriculture to increase the efforts of the Department in devising an effective attack on these problems, and to utilize the newly created Rural Development Committee in order to bring to bear the resources of other departments and services on these problems.

Much progress has been made under the Watershed Protection and Flood Prevention Act passed by the Congress 10 years ago. Watershed developments are now under way in more than 500 communities. Over 40 percent of these developments have multipurpose objectives, combining watershed protection and flood prevention with recreation, irrigation, fishing and municipal water supply. These projects, though small, are of vital importance to rural areas. I recommend, therefore, that the Congress enact legislation to increase the project limitation of flood water detention capacity from 5,000 acre feet to 12,500 acre feet.

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Better use of our timber, wildlife, scenic and other renewable resources of forest land presents a related and major challenge. Economically distressed areas often exist where there are heavy concentrations of forest land. Yet there is a great backlog of work to be done in these forests that can both provide employment and strengthen our economy. I am directing the Department of Agriculture to speed completion of a comprehensive review and appraisal of our timber resources, and to accelerate forest research to find new methods of wood utilization, better timber management techniques, improved fire protection, and more effective use of forest ranges.

More than a million rural families live in houses in such poor condition that they endanger the health and safety of the occupants. Another 3 million live in homes that need major repair. About one-third of our older citizens live on farms and in small country towns and villages -- and too often their homes are poorly heated and lack bare necessities such as running water.

I renew the recommendation in the Message on Housing that the expiring authorization in the Housing Act of 1949 to insure loans on rental housing for the rural elderly be extended, and that the Congress authorize an insured loan program of reasonable dimensions in order to enlist the resources of private lenders in the construction of rural housing.

Among the poorest housed families are our 400,000 migratory farm workers. They frequently live in shelters little better than the ditch-bank housing of the '30s. I recommend that the Congress enact legislation broadening the assistance available to provide better housing for migratory workers and other farm laborers.

IV. Conclusion

Our agricultural problems are deep-seated. Yet they are problems of abundance, not of scarcity. They tax our ingenuity, but they do not -- unlike the situation in many other nations -- form a bottleneck to economic growth. We must continue to seek methods for reconciling the needs of our farm families for a decent income with the necessity of making this abundance available at reasonable prices for domestic consumption and export. The improvements in farm commodity programs which I am recommending are a major step in that direction.

We must also look beyond agriculture to rural America as a whole. Fifty-five million Americans live in rural areas. Too many of them have not had an opportunity to acquire the education, skills and earning power which their talents warrant. For too many of them the rural environment has proven a hindrance to a full life rather than the advantage it rightly can be. In this message, in my housing message, and in forthcoming special messages on poverty, education, and health, I am proposing a series of actions which will assist rural America to realize the promise of its potential -- to carry out the Federal Government's responsibility to help these citizens help themselves. We have made great progress in recent years -- but we can and must do better.

LYNDON B. JOHNSON

THE WHITE HOUSE,

January 31, 1964.

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U. S. Department of Agriculture

The U. S. Department of Agriculture was established on May 15, 1862, by a law signed by President Abraham Lincoln. The new Department, headed by a Commissioner until it attained cabinet status in 1889, was "to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of the word." In carrying out his duties, the Commissioner was authorized to conduct experiments, collect statistics, and to collect, test, and distribute new seeds and plants. This law, very broad in scope, has remained the basic authority for the Department to the present time.

Proposals for an agricultural branch of the national government were made as early as 1776. George Washington recommended the establishment of such an agency in 1796, Elkanah Watson later promoted a related plan, and John Quincy Adams gave the idea support by directing consuls and naval officers abroad to send home seeds and improved breeds of domestic animals.

In 1836, Henry L. Ellsworth, Commissioner of Patents, on his own initiative undertook to distribute seeds obtained from abroad to enterprising farmers. Three years later Congress appropriated $1,000 of Patent Office fees for collecting agricultural statistics, conducting agricultural investigations, and distributing seeds. By 1854, the Agricultural Division of the Patent Office employed a chemist, a botanist, and an entomologist, and was conducting experiments.

During this period many farm editors, agricultural leaders, and officers of the numerous county and state agricultural societies continued to urge that agriculture be represented by a separate agency, although most Southern farm leaders were opposed. The United States Agricultural Society assumed leadership of the movement, and its efforts, combined with the pledges of the Republican Party in 1860 for agrarian reform, led to the establishment of the Department.

Since 1862, the Department has become one of the world's major agricultural research organizations. Other functions have been added as public demand for them has arisen. The Bureau of Animal Industry was created in 1884 after outbreaks of contagious animal diseases and the barring of American meat from some European markets focused attention upon the problem of animal plagues. Authority given the Bureau to control the movement of livestock in interstate commerce was the first regulatory activity undertaken.

In 1905, custody of the national forests was transferred to the Department, which had been carrying on some forestry work since 1876. The responsibility included planning for the conservation and best possible use of this important national resource.

The Department and the land-grant colleges entered into formal cooperative agreements, after the passage of the Smith-Lever Agricultural Extension Act in 1914, to carry the results of research in the Department and the state colleges and experiment stations directly to farmers. This work resulted in the establishment of the Cooperative Extension Service, one of the most widely copied abroad of all United States governmental organizations.

The economic dislocations caused by World War I and declines in farm prices led to an intensification of statistical and economic research that would aid farmers in meeting market needs. The Department encouraged farmers to organize cooperatives, particularly for marketing their products.

The major depression which began in 1929 and reached its height in the early 1930's resulted in the passage of the Agricultural Adjustment Act of 1933. The Department was assigned, for the first time, responsibility for administering a program providing economic assistance directly to farmers.

The same economic circumstances that led to the passage of the Agricultural Adjustment Act led to programs that emphasized better rural credit facilities, soil conservation, aid for poverty-stricken farmers to acquire farms, and loans for rural electrification. These programs were concerned primarily with farmer welfare and farm production. The depression, however, affected city dwellers as well. Many of them were unable to purchase sufficient food, even though the farmers were told they raised a surplus that could be marketed profitably. The Department, working with welfare agencies, set up programs for distributing surpluses to the needy in both cities and rural areas, and began to emphasize marketing and distribution as contrasted with the production of farm products. The other side of the distribution program became important during and after World War II, when the War Food Administration, which was part of the Department, allocated scarce foods among our allies, the armed forces, and the civilian population. Since World War II and the Korean War, the Department's attention has been focused on marketing problems, and upon providing technical assistance to the less developed nations.

Emphasis upon different problems and the gradual addition of functions has led to reorganization of the Department from time to time. The Department is headed by the Secretary of Agriculture, Under Secretary, and four Assistant Secretaries. The agencies of the Department are divided into six major groups, each headed by an Assistant Secretary or Director. In addition, the Office of the General Counsel and the Office of the Inspector General report to the Secretary. The Agricultural Stabilization and Conservation Service, the Commodity Credit Corporation, the Federal Crop Insurance Corporation, and the Planning Evaluation and Programming Staff report to the Under Secretary.

The Agricultural Economics group includes the Economic Research Service and the Statistical Reporting Service. The International Affairs group is made up of the Foreign Agricultural Service and the International Agricultural Development Service. The Marketing and Consumer Services group includes the Commodity Exchange Authority and the Consumer and Marketing Service. The Rural Development and Conservation group is composed of the Farmer Cooperative Service, Farmers Home Administration, Forest Service, Rural Community Development Service, Rural Electrification Administration, and Soil Conservation Service. The Science and Education group includes the Agricultural Research Service, Cooperative State Research Service, Federal Extension Service, National Agricultural Library, and Research Program Development and Evaluation Staff. The Departmental Administration group is made up of the Office of Budget and Finance, Office of Hearing Examiners, Office of Information, Office of Management Improvement, Office of Management Services, Office of Personnel, and Office of Plant and Operations. --Wayne D. Rasmussen, April 1967.