CHAPTER II

Chapter II

INCOME AND ABUNDANCE

U. S. Department of Agriculture
Office of the Secretary

A NATIONAL FOOD BUDGET -- CAN WE MAKE IT WORK?

It is always a pleasure to be in the company of courageous men. I use the word advisedly for many of you -- including the speaker -- will hazard prophesies during the next three days. This takes courage, for as Samuel Butler once said:

> "The New Jerusalem, when it comes, will probably be found to resemble the old in that it will stone its prophets freely."

Josh Billings was even more pointed:

> "Don't never prophesy," he said, "for if you prophesy wrong, nobody will forget it, and if you prophesy right, nobody will remember it."

With these admonitions, let us proceed.

Saturday I returned to the United States from the 14th conference of the Food and Agriculture Organization of the United Nations in Rome.

This meeting brought home most forcibly the close, inseparable relationship between agriculture in the United States and the needs of a hungry world. We live in a world of compressed space, one in which it is no longer possible to separate agricultural policy into tidy compartments -- label them

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Address by Secretary of Agriculture Orville L. Freeman, November 13, 1967, 9:45 a.m. EST, to the 45th Annual National Agricultural Outlook Conference, Washington, D. C.

"domestic farm programs," "foreign aid," "commercial sales" -- and deal with them as separate entities.

All are inseparable parts of the whole. There is a word for this -- synergism -- meaning, roughly, that the whole is greater than the sum of the separate parts. This word describes my own thinking on a national/world food budget, and the agricultural policy that can make it a reality. I will have more to say on this in a few moments.

The FAO meeting also allowed me to view American agriculture through the eyes of others ... in this case, agricultural experts from nearly every nation on the globe. It was a stimulating and thought-provoking experience, one that sharply etched both the opportunity and the peril facing American agriculture in a revolutionary era.

The challenge is no less than the cause of peace itself. American agriculture has the opportunity to make a major contribution to world peace by providing food to hundreds of millions of people around the globe while -- at the same time -- it exports the technology so desperately needed by the poorer nations to feed themselves. We must do both, for unless we do, the War on Hunger will end in ignominious surrender to famine. Unless we win that War, our children will inherit a world wracked by chaos and misery.

This is the challenge, and, like most great endeavors, it is fraught with peril. For unless we can maintain the economic health of our own agriculture, there is little chance that this Nation can meet the challenges ahead.

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You are agricultural professionals, intimately aware of these challenges, and the complicated interplay of domestic farm policy, world trade and world economic development. You know, far better than most, that there are no simple answers, no instant solutions, to the problems facing this Nation and the world. This is why I am here today, to continue a fruitful dialogue the Department began some 45 years ago, and one in which I have participated since 1961.

In 1961, shortly after assuming my present job, many of us in this room began working toward the goal of a national food budget, an agricultural policy that would allow us to produce what we needed while avoiding continued buildup of the surpluses that had depressed farm prices and income during the fifties. In addition, the policy had to prevent equally disastrous shortages that would cost us foreign commercial markets and blunt our leadership in the War on Hunger.

This was our stated goal. At the time I pointed out that I had no magic formula to accomplish it -- to bring into balance demand and supply so that we could meet our objectives at home and abroad. But I did express confidence that -- given some time, determination and elbow grease -- we could develop the necessary machinery to do the job.

In the six years since 1961, by dint of trial and error, with considerable political strife and many close votes in the Congress, I believe we have developed the necessary machinery to make a national food budget a reality. It is now possible for the United States, as a matter of national policy and with the cooperation of government, farmers and the trade -- to:

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-- avoid the boom and bust of surplus or scarcity

-- produce the kind of agricultural products we need, in the right amounts.

This year, 1967, marks the beginning of the third year of the Food and Agriculture Act of 1965, one half of the machinery that makes possible our goal of a national food budget. The other half, Food for Freedom, is now in its second year. Thus, passage of the Food and Agriculture Act of 1965 and Food for Freedom in 1966 has made possible a true national food budget for the sixties, seventies, and beyond.

But the mere fact the machinery exists doesn't automatically mean success. That depends on the wisdom and leadership we apply to make the gears go round. Whether we have these crucial elements remains to be seen. Some groups are throwing sand in the gears right now. The concept of a national food budget is being severely tested -- if not threatened -- as we meet here at this historic Outlook Conference.

The Food and Agriculture Act of 1965 (which I'll call the "Act") and the Food for Freedom Program (which I'll call the "Program," hereafter), are twins. They complement each other. Neither can be effective in isolation, nor can a true national food budget be viable unless the Act and Program are closely coordinated.

The Act, of course, is designed to prevent surplus or scarcity through a working balance between supply and demand, one which will result in farm prices at as high a level as possible consistent with remaining competitive

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in world markets. If world prices are too low to return parity of income prices, the difference is to be made up to the farmer in direct payments.

These payments, in turn, can be used when necessary to withdraw acreage from production to avoid surpluses.

The Act traces its immediate lineage to the five major commodity bills enacted in the sixties, and its remote ancestry to the New Deal legislation of the thirties.

But it is fundamentally different from its progenitors. One of the single most outstanding differences between this legislation and that which preceded it is a recognition that stabilization of market supplies of basic commodities is a continuing -- rather than a temporary -- problem.

This was evident in the authorization of a four-year bill, rather than a one or two-year bill, as in earlier postwar legislation.

And there are other fundamental differences: The Food and Agriculture Act of 1965 provides for price supports at near-world levels for the major crops, with the stabilization and acreage adjustment programs necessary to avoid surpluses. This is in sharp contrast to earlier legislation with prices supported at higher than world levels.

How much acreage is to be withheld depends upon world production, domestic needs, dollar sales and the needs of aid-recipient countries -- for the Secretary, under P. L. 480, is to make food available to those needy nations that act in good faith to meet the self-help requirements of the Program.

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This is very different from the way Food for Peace operated for more than a decade in the past, and marks another departure from past programs. Under earlier P. L. 480 legislation, foods moving in aid programs had to be in surplus. This requirement was removed in the 1966 Program.

Removed in the 1965 Act (and earlier) were the mandatory acreage restrictions and the large export subsidies that accompanied high-level price supports. Adjustment programs for almost all the major crops are now on a voluntary basis; government payments are used to achieve adjustments, export subsidies are minimized.

Thus, the 1965 Act gives the Secretary some flexibility in adjusting annual programs as necessary to meet both commercial market and food aid needs at stable prices. At the same time, United States producers can be protected against sharp price and income drops if supplies exceed market needs for short periods.

There are still those -- an influential and sizeable minority -- who deny the necessity for a National Food Budget. They deny the necessity for farm programs and would abolish them. But to do this, in my considered judgment, would drastically affect our domestic agriculture and commercial and aid shipments because of the close interrelationship among them.

The basic disagreement, I think, is between those who would put their faith in random conduct of our affairs, versus those who would seek to shape events through conscious action.

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Certainly most of the problems which precipitated farm programs in the first place have not changed. American farmers still have the capacity to produce more than the market can absorb at a fair price to them. Our experience this year, with production up substantially in almost every commodity, ought to drive home this point dramatically once again.

Other things haven't changed either. No one has discovered, over the past 37 years, how to control the weather and its impact on production. World trade is still an absolute necessity to a healthy U.S. agricultural plant, and world prices cannot be established by fiat. Although we often hear that "farm prices are made in Washington," in fact, they are also determined in Ottowa, the Chicago pit, Canberra, Buenos Aires, and a hundred other spots around the globe.

Finally, of course, the relentless march of agricultural technology continues unabated, with its advances immediately and widely diffused throughout the developed agricultural world.

These are very fundamental conditions that existed at least four decades ago, continued seven years ago, when I became Secretary, and still exist today. According to every indicator I have studied, they will still exist tomorrow and for a long time to come.

What I have called the "New Era" farm programs were designed to allow farmers to cope with these bedrock problems; to allow them to participate in the shaping of their own destiny through the mechanism of government, just as Food for Freedom was designed to meet the bed-rock problems of a hungry world which needs desperately to develop its agriculture and its economy.

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The New Era programs, in a short seven-year period, have made notable progress. In contrast to the close of the 1960-61 crop year, when 1.4 billion bushels of wheat and 85 million tons of feed grains were stockpiled, only about 500 million bushels of wheat and 40 to 45 million tons of feed grains are expected at the end of this marketing year. Compared to th peak CCC years of 1956 and 1959, investment in farm commodities is down $5 billion this year, and down almost $2 billion from last year. The nasty label of "surplus and subsidy" has been largely scrubbed from the farmer's back.

U.S. products are moving freely in world trade, at competitive prices. Compared to fiscal 1961, total agricultural exports were up nearly 40 percent -- to $6.8 billion -- in fiscal 1967, and sales for dollars were $5.2 billion, a gain of more than 50 percent over 1961 and higher than our total agricultural exports -- commercial and concessional combined -- in any year prior to 1964.

The U.S. now accounts for 37 percent of world wheat trade, about half of world feed grain trade, and over 90 percent of world soybean trade.

Favorable world weather and near-record crops in virtually every nation for two years have had their effect on our exports, and on domestic farm income. But this year and last have been exceptional weather years worldwide, not likely to continue uninterrupted.

Last year (1966) gross farm income set an all-time record, as did net income per U.S. farm. National net farm income climbed to $16.4 billion

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the second highest in the history of the United States, a 40 percent rise over 1960 and 18 percent higher than a year previous.

This year, net farm income will decline some 10 percent from last year's high, although it will still be substantially above levels of most years of the 1950-1960 decade.

This, of course, is terribly disappointing, and no one is more disappointed than the Secretary of Agriculture. As Mr. Dooley once said to his friend Hinnissey:

"When you build your triumphal arch to your conquering hero, Hinnissey, build it out of bricks so the people will have something convenient to throw at him as he passes through."

The bricks hurt, gentlemen.

What has taken place over the past year is ironic -- but we have always recognized the danger. A year ago the evidence on world food production and supplies was most unfavorable. The monsoons in India were failii for the second successive year, short crops in the Communist countries had required large purchases from Western exporters. The disappearance of excess stocks in the United States and an unfavorable wheat yield outlook contributed to the uncertainty. The world was clearly in a short grain supply position.

As a result, after a careful assessment of probable world needs in the 18 months ahead, the national wheat acreage allotments for the U.S.

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1967 crop were increased sharply. Action was taken to increase acreage in feed grains and soybeans as well.

Then within a few weeks after these decisions were made, the world outlook changed sharply with favorable prospects in almost every major grain-producing country.

Canada, Australia and the Soviet Union harvested record wheat crops. Argentina and Western Europe harvested good crops of both wheat and feed grains. Feed grain harvests in Eastern Europe were good and a few months later South Africa produced a record corn crop.

In the U.S. we have a record grain crop in 1967, with an overall increase of from 4 to 5 percent. The 1967 feed grain crop is up 12 percent, wheat crop up 19 percent, and rice and soybeans are up 7 percent over 1966. Cotton, on the other hand, is down 16 percent and there's been a substantial drop in the 1967 fruit crop.

Although demand expansion and somewhat lower prices will lead to some increased domestic use -- particularly in feed grains and soybeans -- as well as larger exports, some increase in carryover stocks will occur for these two commodities, as well as wheat.

The cotton crop, down some $5\frac{1}{2}$ million bales below expected utilization this year, may well reduce next year's carryover to under 7 million bales, compared to $12\frac{1}{2}$ million bales this year.

Until milk utilization prospects become clearer, it is difficult to make production and price projections. The five percent drop in commercial

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utilization this year is the greatest in U.S. dairy industry history. If any of you have a theory as to the "why" of this situation, I would like to hear from you. As you know, I am deeply concerned over the low milk prices farmers are receiving. Yet consumption has dropped while our population continues to climb.

This, in short, is the situation in the major commodities. Now, what are we doing about it?

As I said earlier, we do not yet have control of the weather, nor do we even have an absolutely foolproof system of predicting it. As a result, we realize that our best estimates of production may, at times, miss the mark. Someday, with a global system of satellite stations reporting daily on crop conditions around the world, we will do better. But for now we have to work here on earth to refine our forecasting and to take action -- based on the best information available -- to bring supply and demand into closer balance.

This is what we're doing this year with our New Era farm programs. In contrast to a year ago, the world grain position is strong. Therefore, we are acting to tailor supply to demand in order to increase farm prices and prevent costly surpluses.

The first of these adjustments, for wheat, was announced on July 7. The 1968 program should reduce the harvested land by some 5 million acres below this year's level.

This will assure us an ample supply of wheat to meet all needs, foreign and domestic, commercial and concessional. It should result in

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total wheat income for 1968, some 500 to 600 million dollars higher than in the years prior to the Food and Agriculture Act of 1965.

Two weeks ago last Friday, I made a similar announcement for the feed grains. Our target is to divert about 30 million acres from production -- some 10 million more than in 1967 -- in order to change this year's 2 to 3 percent overproduction to a 2 to 3 percent underproduction in 1968.

Fulfilling this target, of course, depends upon a great many factors, not the least of which is grower participation. With good cooperation, we estimate producers will receive more than $400 million more feed grain income than in 1967, and nearly $200 million more than they did in 1966, which was an all-time record income year.

We're also making changes in cotton.

When the four-year cotton program authorized by the Food and Agriculture Act of 1965 went into operation, we had an all-time high carryover of 16.6 million bales of upland cotton. We wanted to reduce this to normal carryover levels, to improve producer income, keep cotton competitive and reduce government expenditures.

We had extremely high farmer participation in both 1966 and 1967 programs. This -- coupled with an abnormal weather cycle and insect infestation -- accomplished the supply adjustment in two years rather than the expected four. At the same time, cotton has been kept competitive with other fibers, farm income has improved and, as you also know, government expenses have been materially reduced.

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The national marketing quota for cotton has been increased to 16.1 million bales, to encourage more production of the medium and longer-staple cottons that are in highest demand. With the new cotton promotion program now manned and getting underway, the outlook for producers is looking up.

I have gone into some detail on our recent actions for this reason: I feel that our programs, domestic and Food for Freedom alike, are in a critical period in a number of ways. It is of greatest importance that they be more completely understood. In contrast to 1961 through 1966, a period of acreage reductions and stock drawdowns, 1967 marked a turn-around point. Modest rebuilding of stocks was thought to be necessary, for with surpluses eliminated we are operating our programs without the cushion of security those stocks provided. For those who don't follow world conditions closely, such a turn-around may be hard to understand -- especially when unexpected weather intervenes and we are forced to reverse field and again reduce acreage.

The market has been jumpy for over a year. In my opinion, it over-reacted to last year's rumors of shortages and over-reacted again this year, when supplies are ample, but not burdensome.

Clear understanding is vital if we are to achieve a workable national food budget. So is improvement. These are two areas in which I solicit your help and that of your colleagues.

I am most anxious to receive your suggestions for strengthening our present programs to make them more effective. I had hoped to be able

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to discuss such an action today -- the Purcell bill for strategic reserves, that would have enabled us to raise the incomes of grain and livestock producers in 1968. Unfortunately, this legislation was killed in a subcommittee of the House Agriculture Committee two weeks ago.

It has been evident for some time that there is a limit to the amount of grains the commercial trade will carry without forcing prices down. Millers and exporters are naturally reluctant to buy and hold grain when bumper crops might lead to lower prices. It is equally evident that there are limits to what the present New Era voluntary farm programs can do in tightening down over-supplies, the proximate cause of recent price slumps. Obviously we can't take a chance of running out of grain completely.

Had the Purcell bill been enacted, in the future the Secretary of Agriculture could have adjusted annual supplies more closely to market needs -- with resultant stronger prices for the farmer and with no danger of shortage for domestic consumers or overseas'markets. Both must concern him now. In bumper crop years the government would have been able to buy grain, firming up prices; in short years, supplies could have been sold under the most carefully prescribed conditions. It would have been another valuable tool to make our national food budget system work effectively.

Unfortunately, it was voted down. The statements of those who killed it make it clear that partisan politics, rather than the welfare of American farmers, carried the day.

If the bill had passed, I believe it would have strengthened market prices not less than 10 cents per bushel for wheat and feed grains,

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resulting in from $300 to $500 million in additional income for farmers. It is significant that, upon its defeat, the wheat market reacted sharply downward.

I hope that every farmer in the United States noted this partisan action and will remember it, for the negative vote has the widest implications.

On March 16 of this year, a bill was introduced to abolish price supports, acreage allotments, and base acreages for wheat and feed grains -- in effect, to abolish the present programs altogether. Since this time, 20 additional bills, identical or virtually identical to this bill, have been introduced. Clearly the enemies of farm programs are poised to strike.

At the time the wheat and feed grain programs expire, around the end of 1969, so do the wool payment program, the dairy milk base plan for federal order markets, cropland adjustment, and some provisions covering cotton diversion and price support payments.

Anyone who thinks these other programs will stand if the wheat and feed grain programs are abolished is, I believe, badly mistaken. They won't, and this goes for the rice, tobacco, and several others as well.

And so the classic choice facing us next year and the year after, is between workable programs and no programs at all, with the deepest implications for farm income, commercial sales and Food for Freedom.

I don't think we should seriously pursue the chimera of a return to mandatory programs. It is true that if we had them, they would cost far

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less than the present voluntary programs, with strict controls on a bushel, bale, and poundage basis. But both the Congress in 1962, and farmers, in 1963, have rejected this approach. As a practical matter, for most commodities, it's a dead issue.

So there aren't three choices ahead, there are only two.

Most of you are familiar, I'm sure, with the recent study by Dr. Wilcox and his colleagues titled "Farm Programs Needs, 1968-70," and so I won't repeat it in detail. Its main findings point to an approximate one-third drop in net farm income in the absence of support and diversion programs for wheat and feed grains.

I'm sure you're equally familiar with the study done by the Center for Agricultural and Economic Development at Iowa State University upon commission by the Food and Fiber Commission. This report says that by 1980, in the absence of programs, wheat would sell for $1.27 a bushel with no certificates, corn at 75 cents a bushel with no payments, cotton at 17 cents with no payments, and soybeans for around $1.23 a bushel.

I have seen no serious refutation of these findings, but there are a great many who feel that, somehow, we can find our salvation in an unlimited overseas concessional market. Unfortunately, this isn't true.

First of all, the amount of food that can move in aid programs is limited by several very practical factors. These include the ability of the developing nations to handle such food -- dock, storage and distribution facilities -- the amount that can be absorbed without complete dis-

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ruption of their own agricultural development, and the extent to which political leaders in these nations will permit their countries to become dependent on U.S. food.

On agricultural development rests all subsequent economic development in the less-developed nations. The Congress wisely recognized this basic truth when they wrote self-help requirements into the new Food for Freedom legislation, making it very clear that aid must help -- not hinder -- development. Hence, food aid must be used with skill and economic understanding as well as compassion.

Second, the mirage of an unlimited overseas demand overlooks the findings of a recent USDA long-range study of the world food situation through 1980, one that showed more continuing world capacity to produce grain than effective world demand can absorb at stable prices. Strong competition in commercial markets will continue and so will the potential for overproduction, for a long time to come.

Some of you may disagree with my analysis this morning of the world and national agricultural situation, and the tools we have devised to deal with the problems besetting us. But few of you, I suspect, would minimize the magnitude of the problems themselves, or believe that blind change, slogans or dogma, are sufficient to meet and solve them.

And so I would close by impressing upon you, to the best of my ability, the strong sense of urgency I feel for the two years immediately ahead. In 1968 the Nation will make its decision on whether or not to ex-

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tend existing P.L. 480 legislation. In 1969 -- or perhaps in 1968 -- it will similarly determine the fate of the Food and Agriculture Act of 1965. Both are -- and will be -- under heavy attack. The President's position -- and my own -- are clear. We stand in support of these measures for the reasons I have listed this morning.

By using them, and by improving them, I am confident that we can meet both the Nation's obligations to its farmers and our obligations to a hungry world. In the debate that will rage in the next months and years, I would ask for your leadership -- that you separate the wheat from the chaff, the emotional from the intellectual, the fact from the fancy. If we do this, I am confident that a national food budget -- viable, workable, economic -- can and will be a reality. And as it does, the Nation will meet its responsibilities to its producers and to the world.

My fellow prophets, thank you.

USDA 3575-67

THE AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service is the agency of the U. S. Department of Agriculture which carries out various farm action programs in the general fields of production adjustment, conservation assistance, and price, market and farm income stabilization.

The agency carries on its work with the aid of State, county and community farmer committees and includes much of the operations of the Commodity Credit Corporation.

The principal ASCS activities include:

(1) Price support through commodity loans to farmers or through direct purchases of commodities from farmers and processors, and through wheat marketing certificates, wool and mohair payments, and price-support payments on several commodities. Purpose: To stabilize market prices and to protect farm income in the interest of the national welfare.

(2) Production adjustment to balance supply and demand through acreage allotments, marketing quotas, commodity acreage diversions, the Cropland Adjustment Program, Cropland Conversion Program, and the Conservation Reserve.

(3) Conservation assistance through sharing with individual farmers the cost of installing needed soil-, water-, woodland-, and wildlife-conserving practices under the Agricultural Conservation Program and through practice payments under the Cropland Adjustment and Cropland Conversion Programs.

(4) Management of the Commodity Credit Corporation inventories acquired under price-support -- through domestic and foreign sales, export payment-in-kind, domestic and foreign donations, storage, and related processing and shipping arrangements.

(5) The sugar program to provide an equitable sharing of the U. S. sugar market among domestic and foreign supplying areas, to protect the income of domestic producers, and to assure consumers a stable supply of sugar at reasonable prices.

(6) Disaster and defense activities to augment feed supplies for farmers and ranchers in areas where natural disasters have reduced feed, to provide emergency conservation assistance in restoring farmlands seriously damaged by widespread flood or drought, and to assist in preparedness planning for civil defense.

Organization

The Agricultural Stabilization and Conservation Service is headed by an Administrator, an Associate Administrator, and three Deputy Administrators. Each of the Deputy Administrators has responsibility in a specified area of activity: State and county operations, commodity operations, and management.

Reporting directly to the Administrator are a Policy and Program Appraisal Division, a Producer Associations Division, and Policy Staffs on cotton, grain, livestock and dairy, oils and peanuts, sugar, tobacco, and conservation and land use.

Reporting to the Deputy Administrator for State and County Operations are 6 Area Directors (with headquarters in Washington, D. C.), 50 ASCS State offices, and a Caribbean Area office, 3 functional divisions -- Aerial Photography, Bin Storage, and Farmer Programs -- and a Disaster and Defense Services Staff.

Three ASCS Commodity Offices, and the Inventory Management and the Procurement and Sales divisions report to the Deputy Administrator for Commodity Operations.

Five functional divisions -- Administrative Services, Budget, Fiscal, Information, and Personnel Management -- and an Operations Analysis Staff report to the Deputy Administrator for Management. The Data Processing Center and the Management Field Office, both at Kansas City, Mo., also report to the Deputy Administrator for Management.

The three ASCS Commodity Offices are located in Kansas City (Mo.), Minneapolis and New Orleans. The Kansas City office -- with its branch offices at Minneapolis, Minn., Evanston, Ill., and Portland, Ore. -- is concerned with grain; the New Orleans office with cotton; and the Minneapolis office with processed commodities. They are primarily responsible for such activities as purchases, shipping, storage, commodity dispositions, export financing, fiscal examination, payment, and accounting.

The Aerial Photography Division maintains an Eastern Laboratory, located at Asheville, N. C., and a Western Laboratory, located at Salt Lake City, Utah.

Agricultural Stabilization and Conservation (ASC) State and county committees are key units in ASCS's field organization. The six area directors serve as a link between the headquarters in Washington and the committee system.1/ The farmer-elected county committees are responsible for local administration of such national programs as acreage allotments and marketing quotas, the Agricultural Conservation Program (ACP), the Conservation Reserve, price-support loans and payments, acreage diversion programs and payments, Sugar Act and National Wool Act payments, storage, and other ASCS and CCC activities requiring direct dealings with farmers. When arranging to participate in any of these programs, the farmer's first point of contact is the county ASCS office, which is usually located at the county seat.

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1/ The offices headed by the six area directors, and the States they service, are: Midwest Area - Illinois, Indiana, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota, Wisconsin; Northeast Area - Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia; Northwest Area - Alaska, Idaho, Montana, North Dakota, Oregon, Washington, Wyoming; South Central Area - Arkansas, Louisiana, Mississippi, Oklahoma, Texas; Southeast Area - Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, West Virginia, (and Caribbean Area); Southwest Area - Arizona, California, Colorado, Hawaii, Kansas, Nevada, New Mexico, Utah.

Following is a description of the major programs for which the ASCS is responsible:

Price Support

ASCS administers price-support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, butterfat, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, cottonseed, honey, and crude pine gum.

Support is achieved through loans, purchases, and payments for some commodities, all at announced levels. Recent legislation is designed to make some export commodities more competitive in world markets through market price support at or near world price levels. At the same time, growers' incomes are protected by supplementary price support payments, and -- in the case of wheat -- issuance of wheat marketing certificates which bring returns to participating growers to full parity on the domestically-consumed portion of the crop.

For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Smaller amounts of many are also purchased from producers. Butterfat and milk are supported through purchases of processed dairy products and cottonseed prices are supported through purchases of cottonseed oil. Price support on tobacco, peanuts, and naval stores is carried out through loans to producer cooperative associations, that in turn make price support available to producers.

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Purchases from producers are made at the time of loan maturity for the crop. In recent years, farmers also have been able to continue their price-support loans on certain grains in farm storage beyond the first year, earning storage payments during the loan extension ("reseal") period.

Price-support loans to producers are "nonrecourse." With this type of loan, producers are not obligated to make good any decline in the market price of the commodity they have put up as collateral. If market prices rise above support prices, producers can pay off their loans and market their commodity. If market prices fail to rise above support prices, producers can deliver the commodity to CCC, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

Support loans and purchases give farmers a ready means of promoting more orderly marketing particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. When supplies are excessive, Ever-Normal-Granary stocks are built up in supporting farm commodity prices. These Ever-Normal-Granary stocks are in turn released into the market as needed to stabilize supplies and prices.

About 285,000 loans were made to producers on 1965 crops of grains. Cotton loans numbered about 4,150,000. The dollar volume of price support extended on 1965 crops and production totaled $2.3 billion. Of this, price-support loans accounted for $1,956,000,000. However, acquisitions of commodities under loan were somewhat less than total price-support extended. Purchases of dairy products, purchases of products of wheat, corn and vegetable oil for donation and small purchases of commodities on which loans are made amounted to $383,000,000.

Part of the price support on corn, grain sorghum, barley and upland cotton is provided by price-support payments. For wheat, it is partially in wheat marketing certificates. All of the price support for wool and mohair is accomplished through payments which in combination with producers' marketing returns bring their total return up to the support price on the average. In fiscal year 1966, price support payments totaled $488.4 million, mostly for feed grains; wheat marketing certificates amounted to $470.7 million,which was offset by certificate purchases by processors and exporters; and wool payments came to $36.1 million.

Eligibility for price-support loans, purchases and payments and for wheat marketing certificates is conditioned on participation in allotment or commodity acreage diversion programs for that particular crop.

Although ASCS through its personnel and facilities administers price-support operations, the programs are authorized and financed by the Commodity Credit Corporation.

Production Adjustment

Acreage allotments and commodity acreage diversions are used in an effort to keep the production of several commodities in line with demand. Acreage allotments apply to cotton, wheat, rice, peanuts, and most kinds of tobacco. Commodity acreage diversions are used for corn and grain sorghum and for cotton in addition to acreage allotments. For 1967, wheat acreage allotments were increased and no acreage diversions were required for participation.

When supplies of certain commodities are very large, marketing quotas are used in conjunction with acreage allotments if at least two-thirds of the producers voting in a referendum approve the quotas. When quotas are in effect, any excess production of the crop -- that is, in general, the production from acreage in excess of the farm acreage allotment -- is subject to penalties. Marketing quotas applied to 1966 crops of cotton (both upland and extra long staple), peanuts, rice, and 8 kinds of tobacco.

Acreage allotments for crops to which they are applicable for 1966 and 1967 are shown below:

	1966	1967
Wheat	51,544,000	68,195,000
Rice	2,000,502	1,818,638
Peanuts	1,610,000	1,610,000
Cotton:		
Upland	16,200,000	16,200,000
Extra Long Staple	81,400	70,500
Tobacco:		
Flue-cured	607,335	607,335
Burley	249,944	250,153
Maryland	33,138	32,890
Virginia Sun-cured (type 37) . . .	2,997	2,829
Fire-cured (type 21)	9,374	9,405
Fire-cured (types 22 & 23)	26,527	26,744
Dark Air-cured (types 35 & 36) . .	12,727	12,746
Cigar-binder (types 51 & 52) . . .	4,531	4,396
Cigar-filler & -binder (types 42-44 & 53-55)	20,300	19,837

National acreage allotments are divided among farms on the basis of past history of production of the crop and on other factors. In total, more than 3 million farm acreage allotments are determined yearly.

Feed grain program base acreages approximate 90,400,000 base acres for corn, 18,000,000 base acres for barley, and 24,700,000 base acres for grain sorghum. National base acreages of feed grains reflect total farm acreage during a 1959-60 base period with some adjustments. Feed grain base acreages are established for 3.1 million farms.

Acreage withheld from production under commodity diversion and other programs in 1966 included about 34.7 million acres from feed grain base acreages, about 8.2 million acres under wheat allotments and about 4.6 million acres from cotton allotments. With 13.3 million acres under the Conservation Reserve and 2 million under the Cropland Adjustment Program, the total reached about 62.8 million acres.

(The productivity of U. S. agriculture continues to move up. Crop output in 1966 was 12 percent above the average for 1957-59 crops, yet the harvested acreage for 1966 crops was 9 percent below the average yearly acreage for the same period.)

To participate in allotment programs, producers harvest within the acreage allotments set for the commodity for their farms.

To participate in commodity diversion programs (in effect in 1966 for feed grains, upland cotton, and winter wheat), producers sign up to reduce their acreage of the commodity by at least a minimum amount below farm base acreages or allotments. Payments are made under commodity diversion programs to help farmers maintain their income while reducing their acreages to keep production in line with needs. In fiscal year 1966, acreage diversion payments amounted to $996.1 million, mainly for feed grains. Substantial reductions in grain surpluses since 1961 have been achieved through feed grain and wheat acreage diversions. The acreage diversion program, which has been successful for grains, has been broadened to include cotton and in the first year of operation, for the 1966 crop, the cotton surplus is being reduced substantially. Carryover Aug. 1, 1967, is expected to be about 12 million bales compared with about 17 million a year earlier.

Price support eligibility is conditioned on participation in allotment and acreage diversion programs when in effect for a crop. Aerial photographs provide base maps for measuring areas planted to program crops and thus determine farmer compliance with allotment, acreage diversion and other programs.

Other Production Adjustment Programs

Tobacco acreage-poundage quotas encourage growers to emphasize quality. Under the program of allotments by acreage, each producer could market penalty-free all tobacco produced on his allotted acreage. The acreage-poundage program limits both poundage and acreage. This makes it both unnecessary and uneconomical for the grower to try to produce quantity at the expense of quality. Thus the program also aims at bringing production into better balance with domestic use and exports. Flue-cured tobacco producers began using the acreage-poundage program in 1965.

The Cropland Adjustment Program supplements the commodity acreage diversion programs by offering farmers an opportunity to take acreage out of production under longer-term contracts than the annual commodity programs. The program not only supplements the commodity programs but also provides for more open space and other recreational opportunities for urban areas. Specific incentives are offered to farmers if they share their land facilities with town and city people. Particular emphasis is being given to the development of hunting and fishing through practices designed to foster wildlife. Under "Greenspan" provisions, the program offers local, State, and other governmental agencies assistance in acquiring cropland and establishing practices to meet their open-space needs. Payments in fiscal year 1966 came to $1.3 million.

The Cropland Conversion Program, operated on a pilot basis since 1963 in a limited number of counties, is designed to improve family farm income by helping farmers convert land now used for the production of row crops and small grains in surplus to some long-range income-producing uses such as forests, grass, water storage, wildlife habitat, or recreational facilities. Fiscal year 1966 payments amounted to $1.9 million.

The Conservation Reserve, while authority to accept additional land ended with the 1960 program year, continues to provide for the withholding of farmland from production under long-term contracts. Rental payments in fiscal year 1966 came to $151 million.

Agricultural Conservation

Farmers participating in the Agricultural Conservation Program (ACP) receive assistance averaging about one-half the cost of carrying out such conservation practices as establishing and improving vegetative cover of grasses, legumes, or trees for soil protection, installing erosion control structures, and practices for the conservation and more efficient use of water. Practice payments are increased for low-income farmers.

The program includes soil- and water-conservation practices especially beneficial to wildlife, such as establishment of food plots or habitats, pond and shallow water areas.

Under ACP special attention is being given to the beautification of farm land.

ACP provides assistance to more than a million farmers, ranchers, and woodland owners each year. Over a 3 or 4 year period, more than two million farmers are benefitted. In recent years, the ACP annual appropriation has been $225 million.

ACP special projects are designed to attack special conservation problems that stretch across farm fences. These community-wide projects enable farmers to pool their cost sharing and through a set-aside of special funds higher-than-normal cost shares are made available.

In addition to ACP, farmers can earn conservation practice payments under the Cropland Adjustment Program; the Cropland Conversion Program; the Naval Stores Conservation Program; and the Appalachian Land Stabilization and Conservation Program for which county ASCS offices operate the farm conservation activities.

Commodity Disposal and Inventory Operations

Commodities acquired under the price-support program are made available for movement into consumption channels both at home and abroad as needs require in carrying out the Ever-Normal-Granary concept and to keep CCC inventories at manageable levels.

The Ever-Normal-Granary principle has been an integral part of farm programs since their beginning in the 1930's. When production exceeds needs, farm income is protected from undue market-depressing effects of the surplus by adding price-supported commodities to Ever-Normal-Granary stocks under storage loans or CCC ownership, thus stabilizing farm market prices.

The complementary purpose of the Ever-Normal Granary provides for using these built-up stocks to stabilize consumer prices by moving commodities into use in times when supplies are low relative to need, or demand is strong through unusual circumstances. In many instances, the strengthening of demand relative to supply results directly from production adjustment programs that bring output down. By filling the gap between reduced production and current needs, the government reduces the surplus.

CCC moved commodity stocks with a cost value of more than $13.4 billion out of the inventory during the five-year period from July 1, 1961 through June 30, 1966. Virtually all of these commodities were moved through commercial trade channels, with the exception of donated commodities.

Many outlets are employed in moving CCC commodities into use. Some are sold in the United States for dollars. Some are sold for export, either as commercial transactions, or under various government programs.

They are never sold for domestic use at less than legal minimum levels, or current market prices, whichever is higher, except under authorized programs to meet emergency needs such as for livestock feed in disaster areas. In December 1966, the Department announced that new legal minimum levels determined under 1966 legislation would apply for the remainder of the 1966-crop marketing year for wheat, corn, grain sorghum, barley and oats, and would extend in the case of wheat through the 1967 crop marketing year. The minimum resale price level so applied to these grains for virtually all types of CCC sales for domestic use is 115 percent of loan rates, plus monthly carrying charges.

CCC commodities are sold for dollars and foreign currencies for movement into export channels. As CCC inventories decline, the payment-in-kind export program used through export payments made in the form of commodities to maintain and stimulate commercial exports of U. S. farm commodities is being phased out. Likewise farm commodities bartered for strategic and critical materials produced abroad and for goods and services to fill U. S. government needs abroad are coming from commercial rather than CCC stocks. (When needed, cash payments are used to keep U. S. farm products competitively priced in world markets.)

Feed grains from the CCC inventory are used to finance the feed grain program which started with 1961 crops. Cotton is similarly used to finance the cotton program which started with the 1964 crop and was modified by the Food and Agriculture Act of 1965. The use of commodity stocks as payments permits a stable flow of stocks into marketing channels to reduce surpluses as production is pulled down to achieve a better supply-demand balance.

Substantial quantities of food commodities are transferred, on either a reimbursable or non-reimbursable basis, for eventual donation to school lunch programs, Veterans Administration and Armed Forces hospitals, needy Indians, and through welfare organizations to other needy persons in the United States and abroad. In most instances, arrangements are made to process the commodities into food and package them in consumer-size packages for donation.

Of the $13.4 billion worth of commodities moved into use during the five-year period 1961-66, about $3.4 billion worth were donated or transferred and the remaining $10 billion worth moved into the trade channels outlined above.

Inventory Operations

Storage operations to safeguard stocks while they are in CCC ownership are an essential function of ASCS. Commercial storage facilities are used to the fullest extent practicable and the major part of CCC stocks are stored in these facilities. Grains and related commodities in the inventory and under price-support loan are stored under a uniform storage agreement with some 10,000 commercial warehouses throughout the U. S. Cotton, tobacco, dairy products, and other commodities are also stored under uniform agreements in commercial facilities. These agreements provide for uniform storage and handling payments and requirements needed to keep the inventory safe.

In the past, CCC has acquired supplemental bin storage in areas where storage was short, primarily in the corn-producing area. At one time, some grain was stored in ships of the reserve maritime fleet. The need for this supplemental storage is less now than in the past because of the smaller surpluses. Bin capacity is declining as unneeded bins are sold to farmers and private individuals primarily for continued use in storing agricultural commodities. At the end of 1966, CCC-owned bin-type storage had a capacity of about 630 million bushels. At the peak, this capacity was 989 million bushels.

Storage and handling costs, which are a major cost item in maintaining CCC stocks, have been declining as the surpluses are reduced. In the fiscal year ending June 30, 1966, overall storage and handling costs were $303.1 million, $90 million less than ayear earlier. During the current 1967 fiscal year, these costs are running about a third under the preceding year. At one time, storage and handling costs were more than $500 million a year.

The Sugar Program

Basically, the Sugar Act is intended to do three things: (1) Make it possible as a matter of national security to produce a substantial part of our sugar requirements within the continental United States and to do this without the consumer-penalizing device of a high protective tariff; (2) assure United States consumers of a plentiful and stable supply of sugar at reasonable prices; and (3) permit friendly foreign countries to participate equitably in supplying the United States sugar market for the double purpose of expanding international trade and assuring a stable and adequate supply of sugar.

Main features of the sugar program include: The determination each year of the amount of sugar which will be needed to fill United States requirements; the establishment of "quotas" which determine the share of this market which will be available for specified domestic and foreign producing areas; the establishment (as needed) of individual allotments, or "proportionate shares", for domestic farm producers and of marketing allotments for processors; and the payment of "conditional payments" to producers in return for their compliance with the production adjustment and other provisions of the program.

The conditional payments to producers are financed out of the general funds of the Treasury. However, sugar taxes provide funds for the Treasury which more than offset all costs of the program.

Conditional payments of approximately $83.4 million were made on the 1965 crop to about 53,400 sugar beet and sugarcane producers in 24 States, Puerto Rico, and the Virgin Islands.

Natural Disaster Assistance

Three-member disaster committees have been established in each State. Members are the directors of the Farmers Home Administration and the Cooperative Extension Service, and the ASC State Chairman, who also serves as disaster committee chairman. State Disaster Committees report any emergency situation, and, when necessary, recommend that the Secretary of Agriculture designate as disaster areas any that require emergency assistance.

Emergency assistance programs offered farmers in disaster-designated areas may include any or all of the following: (1) Permission to cut hay and graze livestock on lands retired or diverted from crop production under USDA programs; (2) making available CCC-owned feed grains to eligible farmers and ranchers at below-market prices, and, in some instances, by donation; and (3) cost-sharing with farmers who carry out emergency conservation practices to rehabilitate farmlands damaged by natural disaster.

For 1966, haying and grazing privileges were offered in 1,004 counties of 33 States; livestock feed assistance in 258 counties of 19 States, and cost-sharing emergency conservation assistance in 339 counties of 33 States. In addition, about 1 million bushels of CCC-owned feed grains were sold at reduced prices to farmers in counties hit by drought or other natural disaster.

Defense Readiness

USDA has a wide range of defense responsibilities. Some are inherent in its regular program authorizations. Others have been delegated by Executive orders covering defense preparedness and emergency operations.

To mobilize its field strength for defense purposes, USDA has established USDA Defense Boards in each State, in Puerto Rico-Virgin Islands, in the District of Columbia, in about 3,000 counties throughout the U. S., and in certain metropolitan areas. The members of these Boards represent USDA agencies having major field defense responsibilities.

ASCS personnel serve as chairmen of USDA Defense Boards except in metropolitan areas.

ASCS is responsible for defense programs relating to farm production, conservation and stabilization. It is also responsible for defense preparedness and emergency operating programs relating to the handling, storage and distribution of all grains before export or processing.

ASCS also provides certain defense coordinating services, including USDA-wide consolidation of claims for non-food requisites and manpower necessary to support food and agricultural operations and other programs for which USDA is responsible; servicing of USDA State and County Defense Boards; coordination of USDA attack analysis and damage assessment activities; coordination and maintenance of emergency records systems in the field; and preparation of defense reports for USDA.

Other ASCS Activities

Farm Facility Loan Program - Under this program, ASCS encourages and aids farmers in the expansion of facilities needed for farm storage of price-supported commodities. Farmers have added approximately 861 million bushels of storage capacity through the use of special ASCS farm storage and equipment loans, which run for five years at four percent interest.

International Wheat Agreement - The main objective of the agreement is to assure markets for wheat from exporting countries and supplies of wheat to importing countries at equitable prices. Importing countries are obligated to purchase from member exporting countries specified percentages of their total commercial imports. The United States and other exporting countries are obligated to sell member importing countries quantities up to historical commercial levels at the agreement maximum price.

Wheat Marketing Certificate Sale - Processors purchase wheat marketing certificates from ASCS to cover quantities of wheat processed into food for domestic use. Payments reflecting the certificate value are made to wheat producers. Through June 30, 1966, exporters purchased export marketing certificates to cover their exports. From that date, the cost of export certificates is generally intended to represent the difference between U. S. and world prices of wheat when U. S. wheat prices are below world prices. Export certificates are not required when U. S. wheat prices are above world prices.

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PRICE SUPPORTS

Prices of farm commodities tend to be less stable and lower than is desirable in the public interest as viewed by the Congress. This is due largely to the difficulty of keeping production in line with market demand. United States agriculture has the capacity for overproduction and tends to use the excess capacity.

The objective of the price-support program is to stabilize prices for specified farm commodities at announced levels to protect farm income. The basic authority for price support is the Agricultural Act of 1949 with amendments for several commodities provided by the Food and Agriculture Act of 1965. Price support for several commodities is closely tied to efforts to keep production balanced with needs.

The price-support program dates back to 1933 when the Commodity Credit Corporation (CCC) first supported prices of corn and cotton. Passage of the Agricultural Adjustment Act of 1938 which made support mandatory for certain commodities increased the importance of the program as a means of stabilizing farm commodity prices.

Index

During World War II and the Korean War, the program was designed to encourage agricultural output by minimizing price risks to producers.

During the decade of the 1950's increased production of many price-supported commodities put pressure on market prices, resulting in greatly expanded support activity and a buildup in surpluses.

In recent years, the continued accelerating farm productivity prompted new programs to bring production more closely in line with needs and to pull down accumulated surpluses.

Most surpluses have been eliminated or reduced.

Currently support of market prices for most commodities is set at approximately world price levels or at levels for competing products. As compared with higher market support, this encourages a more flexible interchange of farm products for domestic use. It also permits freer movement of farm products into export. For some commodities, it has eliminated the need for export subsidy payments and greatly reduced their extent for others. As a supplement to support of market prices through loans and purchases, payments and marketing certificates for some commodities are included in total support prices to bolster farm income.

Commodities Supported

Price support is mandatory for most commodities supported. Agricultural laws direct the Secretary of Agriculture to support prices of certain named commodities and lays down guidelines and ranges for establishing support levels.

Support for other commodities is permissive -- discretionary with the Secretary.

Mandatory Basic Commodities -- Under current legislation, price support is mandatory for upland and extra long staple cotton, rice, tobacco and peanuts, the acreage allotment and marketing quota crops. (Support is mandatory for tobacco only if growers have not disapproved marketing quotas.) Support is also mandatory for wheat, an acreage allotment crop, and for corn. These are designated as basic commodities by law.

Mandatory Non-Basic Commodities -- Support is also mandatory for the following nonbasic commodities designated by law: oats, rye, barley and grain sorghum (supports for these grains are related to corn by law), and for tung nuts, honey, milk and butterfat, and wool and mohair.

Permissive Commodities -- Support is also available for cottonseed, flaxseed, soybeans, dry edible beans, gum naval stores, and for 1968-crop castor beans -- all permissive commodities within the Secretary's discretionary authority.

Support Methods Summarized -- Prices for these commodities are supported or supplemented through loans, purchases, payments and marketing certificates, all at announced levels. (These are explained in more detail beginning on page 9.)

For most commodities, loans are made directly to producers on unprocessed commodities through Agricultural Stabilization and Conservation Service (ASCS) county offices. Smaller amounts of many are also purchased from producers.

Butterfat and milk are supported through purchases of processed dairy products from the trade through the Minneapolis ASCS Commodity Office, and cottonseed prices are supported, if needed, through purchases of cottonseed oil through the New Orleans ASCS Commodity Office. Cottonseed may also be purchased from producers and ginners.

Price support on tobacco, peanuts, gum naval stores, some cotton, tung nuts, dry edible beans, honey, rice and soybeans is carried out through loans to producer cooperative associations, which in turn make price support available to producers.

Payments are used to support wool and mohair, and are also a part of the support price for wheat, corn, grain sorghum (barley, if designated by the Secretary) and upland and extra long staple cotton.

How Support Levels Are Determined

The level of support directed or authorized by legislation is generally expressed in terms of a formula. For most crops, this is expressed within a percentage range of the commodity's published parity price at the beginning of its marketing year.

The support price is in dollars and cents per unit of commodity and is announced as an average price for all production throughout the Nation. For most commodities, the national price is adjusted to reflect location, quality or type differentials. Thus, the actual support price varies among cooperators. (This is explained in more detail on page 22.)

Insofar as practicable, the price-support levels are announced early enough before planting or marketing seasons for each commodity so as to enable producers to plan and gear their farm operations to the programs.

Support levels are determined within the guides provided in legislation, such as upper and lower limits of support as related to a percentage of parity prices and also at levels competitive in world markets. In addition, eight factors prescribed in Section 401 (b) of the Agricultural Act of 1949 are considered for those commodities for which price support is mandatory. These factors are also taken into consideration in determining (1) whether a price support operation should be undertaken for the permissive commodities and (2) what the level of support for these commodities should be.

These factors are as follows:

1. The supply of the commodity in relation to demand;
2. The price levels at which other commodities are being supported and, in the case of feed grains, the feed values of each grain in relation to corn;
3. The availability of funds;
4. The perishability of the commodity;
5. The importance of the commodity to agriculture and the national economy;
6. The ability to dispose of stocks acquired through a price-support operation;
7. The need to offset temporary losses of export markets; and
8. The ability and willingness of producers to keep supplies in line with demand.

These factors are not considered in determining the level of support to producers of milk and butterfat. For these, the Secretary determines the level which will assure an adequate supply.

Legal Authority for Levels by Commodity

The following price support levels are directed or authorized by legislation in effect for 1968.

Basic Commodities (mandatory support)

WHEAT. -- The Food and Agriculture Act of 1965 provides for a voluntary wheat marketing certificate program for the 1966 through 1969 crops. This authority was extended to the 1970 crop by legislation in 1968.

The portion of wheat allocated for domestic human consumption (for which marketing certificates are issued) is supported at 100 percent of the parity price, or as near 100 percent as practicable to participating producers. This is accomplished through a marketing certificate-loan combination.

The balance is supported at a level that the Secretary determines appropriate, taking into consideration:

1. Competitive world prices;
2. Wheat's feeding value in relation to feed grain; and
3. The price support levels for feed grains. This is accomplished through a loan program.

UPLAND COTTON. -- The Food and Agriculture Act of 1965 provides for a combination loan and payment program for upland cotton for the 1965 through 1969 crops. This was extended to the 1970 crop by 1968 legislation.

Price support (if producers have not disapproved marketing quotas) is based on (1) an established loan rate plus (2) an additional price-support payment at a rate not less than 9 cents per pound.

The loan rate is to be established so that loan rate for Middling 1-inch cotton, at average location, does not exceed 90 percent of the estimated average world price for such cotton during the marketing year.

The minimum additional payment rate is determined by multiplying the difference between (a) the national average loan rate (average of the crop) and (b) 65 percent of the parity price for upland cotton as of the month the payment rate is announced, by the permitted acreage percentage (95 percent in 1968), and dividing the result by the domestic allotment percentage (65 percent in 1968).

The sum of the price-support payment and the loan rate when combined as provided by a formula specified by law shall be not less than 65 percent nor more than 90 percent of the parity price for cotton as of the month the payment rate is announced.

If marketing quotas are disapproved by producers in a referendum, the level of price support drops to 50 percent of parity.

EXTRA LONG STAPLE COTTON. -- If marketing quotas have not been disapproved by producers, price support is based on the loan level for upland cotton (from 1.5 to 2.0 times the upland level but not less than 35 cents per pound) plus a payment. The loan level plus a price support payment will provide total price support of 65 to 90 percent of parity to cooperators as authorized by law (P.L. 90-475). If a proposed marketing quota program has been voted down, price support drops to 50 percent of parity.

TOBACCO. -- For those years in which marketing quotas have been approved, the price support level since 1960 has been determined by adjusting the 1959-crop support level upward or downward in proportion to changes in the parity index (prices paid by farmers, including interest, taxes, and wage rates), comparing the most recent preceding 3-year moving average with the 1959 index. If a proposed marketing quota program has been disapproved by producers, no price support is available.

RICE. -- With marketing quotas in effect, the minimum support level is 65 percent of parity and the maximum is 90 percent. If marketing quotas are disapproved, the level of price support is 50 percent of parity.

In addition, the law provides through 1970 that an acreage diversion program must be offered and payments made to cooperators if the yearly national acreage allotment is less than that for 1965. This had not been necessary through the 1968 crop.

PEANUTS. -- If marketing quotas have been approved, the price support level ranges from 75 to 90 percent of parity. The minimum support level within this range depends on the level of supply (the supply percentage) at the beginning of the marketing year.

The steps taken in determining the minimum support level are: (1) determining the estimated total supply (allowing for the effects of marketing quotas and acreage allotments); (2) determining the normal supply and (3) determining the supply percentage by dividing the total supply by the normal supply. The minimum support level is indicated in the schedule relating to the supply percentage in section 101 (b) of the Agricultural Act of 1949. The eight factors discussed previously are reviewed to determine whether a higher support level should be established.

When marketing quotas have been disapproved, the level of support drops to 50 percent of parity.

CORN. -- The Food and Agriculture Act of 1965 provides for a voluntary feed grain program for the 1966 through 1969 crops. This was extended to the 1970 crop by 1968 legislation.

Under the feed grain diversion program, corn and grain sorghum are the specified feed grains, and barley, if designated by the Secretary. Oats, rye and barley (if barley excluded from the diversion program) could be included in the program, but only when requested by a producer for purposes of producing wheat on oats, rye or barley acreage under the substitution provisions. Substitution of wheat on feed grain acreage or feed grain on wheat acreage is also provided.

If an acreage diversion program is in effect for feed grains, the price support level for corn is to be set, between 65 and 90 percent of the parity price, at a level determined to be necessary to carry out the feed grain acreage diversion goals. The law also provides for a portion of the price support to be made through a payment. Participants could be authorized to grow soybeans in place of feed grains and receive the feed grain price support payment on that acreage. (For 1966 and 1967 only.)

If there is no acreage diversion program for feed grains, price support for corn is to be made available at level between 50 and 90 percent of the parity price, that the Secretary determines would not result in increasing CCC stocks.

Designated Nonbasic Commodities (mandatory support)

BARLEY, OATS, RYE, AND GRAIN SORGHUM. -- Price support for other feed grains is to be set at a level that:

1. Is fair and reasonable in relation to the support price for corn, and
2. Takes into consideration the feed value of each commodity in relation to corn. (The feed value of grain sorghum, barley and oats per 100 pounds is determined to be 90 percent of nutritive value of an equal amount of corn. The feed value of rye is determined to be 85 percent of that for corn.)

MILK AND BUTTERFAT. -- Support is required at a level, not more than 90 percent nor less than 75 percent of parity, as the Secretary determines necessary to assure an adequate supply.

HONEY. -- The level of support may be not less than 60 percent nor more than 90 percent of parity.

TUNG NUTS. -- The level of support may be not less than 60 percent nor more than 90 percent of parity. The minimum support price is 65 percent of parity if the Secretary determines that the domestic production of tung oil will be less than anticipated domestic demand.

SHORN WOOL. -- Beginning with 1966 and through December 31, 1969, the incentive level of price support for shorn wool is determined in accordance with a formula provided in the Food and Agriculture Act of 1965. The price support level cannot exceed 110 percent of the parity price for shorn wool.

The incentive price for shorn wool is determined by multiplying 62 cents by the ratio of (1) the average parity index for the 3 calendar years preceding the year in which the support is determined to (2) the average parity index for the calendar years 1958, 1959, and 1960.

Pulled Wool. -- Support for pulled wool (wool removed from pelts after slaughter) is set in relationship to the level for shorn wool to maintain the normal practice of marketing lambs unshorn, thus reducing or eliminating unusual shearing in order to get a shorn wool payment.

MOHAIR. -- Support prices for mohair must be within 15 percent of (above or below) the comparable percentage of parity at which shorn wool is supported.

Other Commodities (permissive support)

Support for other commodities may be at any level not in excess of 90 percent of parity. In determining whether support will be undertaken and the level of support, the eight factors discussed earlier must be considered. When the price of either cottonseed or soybeans is supported, however, the price of the other must be supported at a level that will cause them to compete on equal terms in the market.

Price Support Operations

Price-support operations involving direct dealing with farmers are for the most part a responsibility of State and county Agricultural Stabilization and Conservation (ASC) farmer committees.

The local county ASCS office, generally located at the county seat, is the farmer's focal point of contact for most supported commodities. For example, county office personnel assist the farmer in preparation of price-support documents, check his eligibility for price support -- such as adequacy of his farm storage facilities, and his participation in production adjustment programs when a condition of price support eligibility. They also provide information on program details.

Price-support programs are financed through the Commodity Credit Corporation (CCC), a federally chartered corporation. A price-support program is approved by the CCC Board of Directors and by the Secretary of Agriculture. Administration of CCC price-support programs is a responsibility of ASCS.

Proposals for price support are prepared by ASCS in the form of a docket covering such matters as proposed method or methods of support, the average level of support and estimated total funds required. It also authorizes ASCS to carry out the program under the general direction and supervision of the president or executive vice-president of CCC, in accordance with bylaws of CCC.

When a program is approved, a public announcement is made and detailed operating instructions are sent to personnel in charge of administering the program in Washington and the field.

Producer Participation

A producer's eligibility for price support on some commodities is conditioned upon his participation in production adjustment programs. These include, singly or in combination, acreage allotments, marketing quotas, and diversion of acreage from production.

Eligibility for price support in 1968 on most of the basic crops -- extra long staple cotton, wheat, rice, peanuts, and tobacco -- depends on a producer harvesting within his acreage allotments for the crops. For upland cotton, a producer is eligible if he plants within a specified percentage of the allotment and holds a minimum acreage out of crop production. For flue-cured tobacco, price support eligibility depends on compliance with the farm marketing quota provisions of the acreage-poundage program. In the case of corn and grain sorghum, eligibility for price support provides for planting within a specified percentage of the feed grain base acreage and diverting at least a minimum percentage from production. Price support for cotton, corn, grain sorghum and wheat is further conditioned upon the farm participating in and complying with all provisions of the annual programs for the crop.

For other commodities supported, producers have no specific eligibility requirements except for adequate storage, either on the farm or in an approved warehouse, and for certain quality requirements. However, because support for manufacturing milk and butterfat is indirect (through purchases of dairy products) there are no eligibility requirements for dairy farmers.

Many factors influence individual farmer's participation in price-support programs. Farmers may decide not to participate in price-support and related programs for a variety of reasons. Some of the factors influencing them to participate are:

Better income prospects. The price protection offered on commodities is a strong incentive for many farmers to participate. Price supports, since they are generally announced prior to planting time, also provide farmers with advance knowledge about future prices which help in planning the farm operation. A farmer knows the minimum price he can expect for a specific price-supported crop if he participates in the program regardless of future supply and demand conditions.

Farm problem solution. Other farmers participate because they believe in the need for farm programs to help solve the chronic problems of overproduction and low prices. They believe that their participation helps make the programs work through cooperative effort to solve a problem which they recognize.

Orderly marketing. This feature of price support appeals to some farmers. Price-support loans provide them with immediate income from their production at harvest time, when market prices are seasonally depressed. Thus, the loan enables them to withhold their crops from the market in anticipation of higher prices later in the season.

Conservation possibilities. Many farmers participate because price support and related programs enable them to increase the conservation work on their land while program benefits help maintain their level of income.

Some factors influencing farmers against participating are:

Inadequate storage. To get a price-support loan, a producer stores his commodity either in his own space or in commercial storage. This may not be readily available. Many who lack farm storage space choose to sell at the market price rather than store commercially and incur storage costs during the loan period.

Limited quantities. The quantities produced by a farmer may not be large enough in his judgment to make participation worthwhile.

Acreage requirements. In some instances, the acreage eligibility requirements may be such that a farmer believes that he cannot afford to participate.

Disagree with farm programs. Some farmers do not like farm programs and for this reason do not participate.

High market prices. When prices in the market are high in relation to the support price, farmers who otherwise may be eligible for price support sell in the market rather than put the commodity under loan.

Poor quality. If the crop is not of good storing quality, farmers may sell at harvest time rather than risk further quality deterioration.

How Prices are Supported

The law requires that price support be made available for specified commodities to all cooperators. For virtually all commodities, there is no point, or level, at which acquisition of stocks can be terminated.

Price support is made available through loans and purchases in lieu of loans; purchases on the open market and payments and marketing certificates.

COMMODITY LOANS. -- Government (CCC) price-support loans to farmers are made directly through ASCS county offices or through approved agricultural cooperative marketing associations, or both, on the security of stored commodities.

Loans have been used extensively to support prices of corn, oats, barley, rye, grain sorghum, wheat, rice, soybeans, flaxseed, dry edible beans, honey, tobacco, upland and extra long staple cotton, peanuts, gum naval stores (loans on rosin) and tung nuts (oil).

Price-support loans are nonrecourse. CCC looks only to the pledged or mortgaged collateral (the commodity) for settlement of the loans. Except for tobacco, gum naval stores, and warehouse stored peanuts which are handled by approved cooperatives, the farmer may repay the loan, plus accrued interest (approximately 3½ percent in 1968) at any time prior to maturity. A service fee of $4.00 is charged on each loan that involves farm-stored commodities. The fee is $2.00 on most loans that involve warehouse storage, except that there is no service charge on warehouse storage peanut loans. The interest rate is 30 cents per $100 of the loan per month, but not including the month of the repayment.

If the farmer chooses not to repay, he delivers the farm stored commodity to CCC or CCC takes title to the commodity in warehouse storage, and the loan, including interest, is satisfied. It is in this way that CCC has acquired most of its inventories of commodities. Before assuming title to the commodity under loan, CCC determines through ASCS county and commodity offices that the commodity is acceptable. A delivery charge amounting to one-half cent per bushel, or 1 cent per hundred pounds, or 20 cents per ton of peanuts is made on commodities delivered from farm storage.

Tobacco, peanut, gum naval stores (rosin), cotton, tung oil, soybeans, dry edible beans, honey and rice loans are made available through cooperatives. The collateral of all producers is pooled. The cooperative markets the commodity held as collateral and remits the sales proceeds to apply on the loan. If the sales by the cooperative return a profit over advances, charges, and interest, it is usually returned to the growers as a patronage dividend.

Loans are available to producers for periods of 6 to 8 months following harvest. Depending on the commodity, most loans mature initially 1 to 3 months following the end of loan availability. In the case of peanuts, tobacco, naval stores and tung oil loans mature on demand.

Depending on the commodity, storage may be on the farm, in country elevators, in terminal warehouses, or in other approved warehouses.

RESEAL LOANS. -- For many years, USDA has offered "reseal" privileges for certain commodities stored on the farm. The term "reseal" means extension of a price support loan and is derived from the fact that farm-stored collateral for such loans is put under seal. Resealing has enabled farmers to extend their price support loan beyond the initial loan maturity date which is generally 8 to 10 months later than harvest. This program has been used as an aid to orderly marketing for many years. It is especially useful when production exceeds utilization or when market prices are weak.

In 1967, the reseal program was broadened to permit loan extensions on 1967 crop wheat, corn, grain sorghum, soybeans, oats and barley in commercial storage. Extension of the reseal program to commercial storage facilities gives more farmers an opportunity to plan long-range marketing and avoid lower prices during times when markets are overloaded.

Annual public announcements are made of the commodities and crops which will be eligible for reseal during the next reseal year. Each year farmers may obtain reseal loans on commodities which are under regular price support loans, if a reseal program is offered for such commodities. Also, when extensions of reseal loans on certain crops of commodities are authorized, a farmer may continue to hold his commodity under reseal if it is in good condition.

Storage costs accruing during the reseal period are paid by CCC. These payments are made to farmers who provide farm storage or who prepay warehouse storage charges for the extended period. If warehouse charges are not prepaid, CCC will make these payments for the extended period direct to the storing warehouseman.

State ASC committees determine whether an on-farm reseal program for commodities eligible for reseal will be available in their States.

Farmers continue to have the option of redeeming their commodities under reseal loan.

COMMODITY LOAN BENEFITS. -- While the loan program does not guarantee the participating farmer a profit, it does offer definite safeguards and advantages if his commodity is eligible for loan.

The loan program gives farmers an opportunity to obtain cash and hold their crops for later sale. In practice, if the producer cannot profitably pay off his loan and sell the collateral, the loan may be satisfied in full by letting the CCC take over the collateral.

The loan program tends to even out marketings. In order to meet operating costs, farmers would otherwise be inclined to market their crops at harvest time. This sometimes makes market gluts, undue burdening of the transportation system, and lower prices. Price swings and transportation bottlenecks are minimized to a great extent by spreading commodity marketing over the season.

The loan program gives producers a chance to exercise greater independence in their marketing operations and benefit from price increases that often come later in the season after harvest.

LOAN METHODS BY COMMODITIES

Feed Grains, Wheat, Rice, Soybeans, Flaxseed, Tung Oil, Dry Edible Beans, Honey. -- For these commodities, the farmer usually applies to the ASCS county office for a price-support loan.

A member of the county office staff checks to assure eligibility (compliance with program provisions) and the eligibility of the commodity.

The farmer who has his commodity in farm storage signs a promissory note and chattel mortgage, and receives his loan through the county office. The farm cribs or bins are checked to make sure they are providing safe storage. The county office employee, along with the farmer, estimates the quantity stored as the basis for making a loan.

In those cases where the commodity is stored by the farmer in an approved public storage facility, the farmer receives a warehouse receipt from the facility. This is presented at the county office as security for the loan. The warehouse receipt represents the commodity the farmer has put in the storage facility. For commodities stored in warehouses, a deduction for storage charges for the loan period is made from the loan proceeds if the farmer has not prepaid these charges.

The ASCS county office disburses the loan by issuing the farmer a draft drawn on CCC.

For price support on dry edible beans, honey, rice, soybeans, and tung oil, a producer may deliver his commodity to an approved cooperative marketing association (for pool loans), and the association may place the commodity under loan.

(Banks and other financial institutions may purchase certificates of interest that are offered for sale by CCC against a pool of all price-support loans.)

Tobacco. -- Farmers receive price support for tobacco through their own cooperative associations which pledge the tobacco to CCC. (Flue-cured tobacco producers also could obtain interim farm-stored loans from county offices for 1967 and 1968 crops.)

Producers may obtain advances on tobacco at the price support level through one of the 17 producer cooperative marketing associations in the continental United States and Puerto Rico. The associations, under their contract with CCC, handle all operations connected with making advances to producers on tobacco.

These operations of the associations are financed by loans to the associations by CCC through banks acting as servicing agents for CCC. The funds made available are used to make the advances to producers (generally through auction warehouses) and to reimburse carriers, redrying plants, and storage warehouses for services performed on behalf of the associations.

Administrative expenses of the associations are financed by CCC loans to the extent that the service charges collected from producers (generally a minimum of 25 cents per 100 pounds) fail to cover all expenses. Expense budgets are subject to approval by CCC.

In areas where tobacco is sold at auction, the producer trucks his cured tobacco to an auction warehouse. There it is weighed, identified by a warehouse sales ticket, segregated in baskets, lots, or piles, and displayed on the auction floor. A Government tobacco inspector (C&MS) grades the tobacco and marks the grade on the warehouse sales ticket.

At the time of sale the tobacco is auctioned to the highest bidder. If the high bid for any particular basket does not exceed the loan rate -- the published support rate for that grade -- that basket is consigned to the cooperative association, provided the tobacco is eligible for price support.

After the sale is completed the producer is paid for his tobacco, including payment for tobacco consigned to the association for price support. The farmer is also given a participating record covering the quantity and value of the tobacco that went under loan.

The loan tobacco accumulated by the association during the day is trucked to the plant of a redrier or a packer under contract with the association. The tobacco, segregated by grade, is run through a redrying machine and packed in hogsheads.

The redrier or the packer sends a report to the association showing the quantity of loan tobacco received from each auction warehouse. The association matches the redrier's or the packer's report with the warehouseman's billing and draws a check to the warehouseman for the total day's business.

The packer transports the packed hogshead to a storage warehouse where nonnegotiable warehouse receipts are issued in favor of CCC.

Over a period of time the tobacco placed under loan by the association is marketed by the association on the basis of established prices. When all the tobacco of a crop year pool for each kind of tobacco is sold, net gains, if any, are distributed by the association to participating producers.

The procedure for obtaining loan advances on cigar leaf tobacco is essentially the same as for other types with the exception that cigar leaf tobacco is not sold at auction. The producer delivers his tobacco to a warehouse or assembly point maintained by the association and receives his price support share on the basis of Government grades.

CCC retains the right to approve an association's sales prices and sales policies of loan tobacco. The Corporation also retains the right to call the loans at any time upon demand but has followed a policy of not calling loans and leaving the tobacco until sold by the association.

Pricing policies of the associations, with approval of CCC, are designed:

1. To be in the best interest of the growers.
2. To minimize loss to the Government.
3. To protect stocks on hand from damage and deterioration.
4. To avoid undue disruption of the marketing of current crops.
5. To maintain stability in both domestic and foreign markets.

<u>Cotton, upland and extra long staple</u>. -- To obtain a loan, an eligible producer first has his cotton classed by a board of cotton examiners of USDA (on the basis of a sample drawn from the bale and sent in to a classing office).

The board, after establishing grade, staple length, and micronaire reading, sends the producer a form indicating the class. The producer delivers his bales of ginned fiber (lint cotton) to a warehouse approved by CCC and obtains a warehouse receipt. After the official classification and warehouse receipt are received by the producer or his representative, the loan note is prepared.

Loan documents may be prepared by ASCS county office personnel or by CCC-approved loan clerks located in banks, offices of cotton buyers, cotton gins, warehouses, and other locations as necessary for the convenience of producers.

Loans are disbursed by use of CCC drafts.

If not dealing through an approved cotton cooperative marketing association, the producer may present his loan documents through the ASCS county office, and all loans are disbursed by the county office.

An advance to the producer (full amount of the loan, less authorized deductions) may be made by any firm, individual, or other entity and be reimbursed from loan proceeds.

Loan documents can be sent to the most convenient ASCS county office for processing, approval, and reimbursement, except for cases where loans are disbursed to financial institutions under a special procedure whereby financial institutions may require interest from CCC from date of investment of funds. In such cases the loans must be disbursed by the county office where the cotton was produced.

If a producer wishes to obtain a loan at a county office other than the one where the farm records are maintained for the farm on which the cotton was produced, he presents a certificate of eligibility issued by the county office where records are maintained.

In keeping with cotton trade practices, loans are reduced by the amount of any warehouse receiving charges due on the cotton if the charges have not been prepaid. In cases where the receiving charges have not been prepaid and the cotton is not redeemed from loan, CCC pays the receiving charges directly to the warehouse when the warehouse storage charges are paid.

Loan documents (except loans made through approved cooperative marketing associations), including supporting warehouse receipts and class cards, are retained in the county offices until maturity of the loans.

Document availability at the county level facilitates and expedites the redemption and sale of cotton stocks under loan. Cotton merchants can determine readily from the documents not only the identity of producers who have cotton under loan, but the quantity and quality of the cotton.

Loan redemptions do not require the producer, or the person redeeming the cotton, to visit the county office. Forms necessary to redeem loan cotton are available at county offices, banks, warehouses, cotton gins, and from approved loan clerks.

Producer members of a cotton cooperative marketing association may obtain price support through the association at the same loan rate as producers placing cotton under loan at the ASCS county office. The association makes advances to its members at not less than the price support rate on eligible cotton delivered for marketing and may then tender to CCC documents representing the cotton received from producer members, and receive a nonrecourse loan on the cotton from CCC.

Peanuts. -- CCC makes price support available to peanut producers primarily in two ways. One is through warehouse storage loans to the three peanut grower associations which serve the producing areas. The associations operate under a loan and handling agreement with CCC. The associations in turn contract with warehousemen to receive, handle, and store collateral peanuts and to issue warehouse receipts to CCC and drafts to growers.

The producer delivers his peanuts to a warehouse having a storage contract with a grower cooperative association. In delivering peanuts, the producer appoints the association his agent to handle and market his peanuts and to pledge them to CCC as security for a loan to the association. The producer's right to redeem or obtain possession of the peanuts ceases at the time they are loaded into the warehouse.

The warehouseman, as agent of the association, prepares a draft in favor of the producer for the price-support value of the peanuts. The draft, drawn on the association account at a lending agency approved by CCC, may be cashed at any commercial bank.

As the drafts are paid by the lending agency bank for the association's account, the association becomes eligible for a loan advance from the lending agency on behalf of CCC.

The association may withdraw individual lots of peanuts from the loan or redeem all of the peanuts from the loan for sale to the domestic edible trade. Loan collateral peanuts are sold for edible use by the associations in accordance with a minimum sales policy approved by CCC. The sales policy provides for minimum prices based on the amount of the loan on the peanuts -- plus interest, handling and storage charges, other costs, and a percentage markup depending on the time of the sale.

The grower obtaining price support through the association shares in the net profit, if any, the association earns from the sales of collateral peanuts to the trade. Profits, if any, earned by the association from sales are distributed in cash to the producers.

Loan peanuts not sold by the association for domestic edible use are sold by CCC for the association's account at reduced prices for export or domestic crushing into oil. Losses resulting from such sales are not charged against the growers' equity in any profits resulting from sales for edible use.

Loans to the peanut associations are nonrecourse. The loan matures on demand by CCC.

Loans also are available to producers on farm-stored peanuts through ASCS county offices. However, only a small number of growers use this method to obtain price support.

After the county office determines that the producer is eligible for price support and that the storage facility meets CCC's requirements, the county office prepares the necessary loan documents. As in the case of grain loans, the producer obtains his peanut loan from the county office.

The producer may deliver the peanuts to CCC upon maturity of the loan, or he may redeem the peanuts by repaying the amount of the loan plus interest. In recent years most of the farm-stored loans have been redeemed by the growers, presumably for seed purposes.

Peanut producers may also sell to CCC in the same manner described in "Purchases in Lieu of Loans."

An additional method of peanut price support is through purchases of peanuts from shellers by CCC. These generally are the lower edible grades of shelled peanuts. The purchase of these lower grade peanuts removes them from the commercial edible market. This, in turn, increases the use of better grade peanuts for edible purposes and decreases the quantity of farmers stock peanuts diverted by CCC. Shelled peanuts are purchased from shellers who paid producers prices at least equal to the price support value and cooperated with the price support program.

Gum naval stores. -- CCC makes price support available to producers of gum naval stores through the American Turpentine Farmers Association Cooperative (ATFA) under a loan agreement. Under the CCC loan commitment ATFA makes advances to its eligible producers on eligible naval stores (rosin).

All U. S. producers of pine gum are eligible for membership in ATFA upon application and payments of an initial membership fee of $1; any further membership dues are voted on in annual convention. In 1967, ATFA membership comprised almost 87 percent of domestic producers, representing more than 95 percent of pine gum production.

Loans made to ATFA are nonrecourse. The 1967 program has no stipulated maturity date. The loan to ATFA is payable on demand. ATFA is the sole redeeming agent and seller of rosin collateral from its redemption pools, except for certain years' collateral which ATFA has been given the right to sell provided the proceeds are paid to CCC.

ATFA may sell its redeemed collateral stock at or above redemption cost. Redemption costs are determined by CCC. These include the following factors: face value of the loan; storage costs; administrative expenses; and interest (3½ percent per year in 1968).

Any amount remaining over redemption costs that is realized from sales by ATFA may be returned to participating producers on an equitable basis as determined by ATFA and approved by CCC.

Under the loan procedure, the producer obtains his loan on eligible gum rosin, or rosin content in eligible oleoresin (crude pine gum). Eligible gum rosin or oleoresin is that produced domestically during the applicable calendar year of support.

Usually the producer delivers his oleoresin to an approved processing plant-warehouse facility where it is inspected and graded. The producer determines the quantity, if any, he wants to sell outright to the warehouseman. On the remainder, the producer executes a producer's offer which tenders the rosin to ATFA for the loan program.

Payments on the quantity pledged for loan is usually advanced by the warehouseman, who deducts the inspection fee, initial storage costs, and processing fees (including the cost of rosin drums).

Warehousemen summarize the various producer offers periodically, make certification as to quantity and grade, and transmit the offers to ATFA, which checks eligibility. ATFA, in turn, consolidates the producer offers from various warehouses and transmits certification to CCC for loan funds.

The price support loan money is then distributed by ATFA to eligible producers or those warehousemen who advanced the funds to producers.

<u>Tung nuts (oil)</u>. -- Price support operations are carried out through loans on oil because of the relatively high perishability of tung nuts.

Producers haul their tung nuts to a crushing mill where the oil is extracted on a custom basis, with the grower retaining title to the oil. Producers receive warehouse receipts for the oil, which generally is stored in tanks at the crushing mill.

The warehouse receipts serve as collateral for loans made directly by CCC through ASCS county offices.

The loan program is carried out in the producing areas of Alabama, Florida, Georgia, Louisiana, Mississippi, and Texas.

Loans are payable on demand, without a fixed maturity date. Producers pay a service charge of 6 cents per hundredweight on all oil pledged for price support and not redeemed by October 31 of the end of the marketing year the loan was made. Unredeemed oil is placed in a loan pool on November 1 for sale by the National Tung Oil Marketing Cooperative, Inc., on behalf of all participating growers.

<u>PURCHASES IN LIEU OF LOANS</u>. (How Commodities are Supported) -- A farmer may offer his eligible commodity for sale at the support level to CCC through the county office, usually about the time price-support loans mature. The producer must provide storage space for the commodity until it is delivered to CCC and the producer is responsible for the condition of the commodity while it is in his possession.

The offer to deliver must have been made during specified periods, delivery to follow as directed by the Corporation.

In areas where storage is not available to producers who desire price support, CCC will buy certain eligible commodities for immediate delivery at the support price when and where needed.

Loans and purchases provide support at exactly the same level. The loan route suits the needs of the producer who requires money immediately and who can meet loan storage requirements. The purchase program provides a convenient, inexpensive form of price insurance for the producer who does not have an immediate need for cash, and who does not want to encumber his commodity as required under a loan operation.

Eligible commodities for the purchase program in 1968 included corn, wheat, barley, oats, grain sorghums, rye, rice, soybeans, flaxseed, dry edible beans, honey, farm-stored peanuts, and cottonseed.

OTHER PURCHASES. -- Butter, cheese and nonfat dry milk are purchased to support prices farmers receive for manufacturing milk and for butterfat in farm-separated cream. Purchases are made from processors and handlers.

Before the beginning of each marketing year, the Secretary announces the support prices for manufacturing milk and butterfat, and also the prices at which CCC will buy, in bulk containers, butter, cheddar cheese, and nonfat dry milk throughout the marketing year. In addition, to meet the needs of programs such as school lunch, CCC buys these products in special forms -- processed, vitaminized, small containers, etc. -- on a competitive bid basis, at prices corresponding to the announced purchase prices, processing and packaging costs considered.

The purchases maintain market prices of dairy products at levels which enable cooperative and dairy processing plants to buy milk from farmers at prices which will reflect the announced national support level.

In past years, the dairy products removed from the market under the direct purchase and related programs have gone into numerous uses, as for other commodities acquired, including: sales back into the domestic market at prices above the support level; sales for commercial export at competitive prices; donations for school lunches and needy persons in the United States; export sales for restricted uses at concessional prices; and donations for school lunches and needy persons in more than 100 foreign countries.

CCC purchases dairy products through the ASCS Minneapolis Commodity Office.

Since cottonseed cannot be stored except at crushing mills which have special equipment, cottonseed is supported through crushers who agree to pay not less than the support price for seed. Cottonseed prices may also be supported by purchases from ginners, and also from producers whenever nonparticipation by crushers in the program make such purchases necessary. Cottonseed products (usually oil) may be purchased by CCC from participating crushers through the ASCS New Orleans Commodity Office.

A purchase program for flaxseed is carried out in designated Texas counties where flaxseed normally can be stored only for a relatively short time.

PAYMENTS. -- Payments to producers are in effect for 1968 upland and extra long staple cotton, corn, grain sorghum, wool, mohair and through marketing certificates for 1968 wheat. These represent a part of the total return to the producer per bale, bushel, or pound of commodities produced.

The payments for cotton, grain sorghum and corn and the cash equivalent of marketing certificates for wheat supplement the price-support available to program cooperators through the loan program. For wool and mohair, all of the support is achieved through a payment.

Generally for the field crops, the payments or certificates are based on the projected yield per acre on a part of the farm's allotment for upland cotton and wheat and base acreage for corn and grain sorghum. Producers obtain payments and certificates through ASCS county offices.

For upland cotton, the 1968 price support payment reflects a rate of 12.24 cents per pound on the projected production on the domestic portion of the allotment if 90 percent of the domestic allotment is planted; otherwise the price support payment is on the planted acres.

For the feed grains, the 1968 payments reflect rates of 30 cents per bushel of corn and 53 cents per hundredweight of grain sorghum on the projected production for planted acreage on up to 50 percent of the farm's feed grain base acreage.

For extra long staple cotton, the 1968 payments will be based on 8.69 cents per pound on the actual production on the acreage allotment.

For wheat, 1968 marketing certificates will be issued on the projected production of up to 40 percent of the farm's wheat allotment (this is the farm's marketing allocation, thus its share of domestic food use from the 1968 crop). The value of certificates per bushel will be the difference between the wheat parity price on July 1, 1968, and the average loan rate of $1.25 cents per bushel. (For the 1967 crop, certificate value was $1.36 per bushel.)

Marketing certificates issued to participating farmers can be sold at face value to CCC, thus farmers receive cash rather than certificates. This is accomplished through ASCS county offices. In turn, CCC sells domestic certificates (valued at the difference between the loan rate and $2.00 per bushel -- for 1968, this is 75 cents per bushel) to wheat processors equivalent to the number of bushels of wheat used in the processing of wheat into food products.

For shorn wool, the rate of payment is based on the difference between the previously-announced support, or incentive price and the U. S. average price received by growers for wool during the calendar year. This rate is determined early in the following year and it is expressed in a percentage and is applied to each grower's market return from wool. For 1967, the support price was 66 cents per pound and the average price was 39.8 cents or 23.2 cents per pound less. To bring producer returns to the support level, each producer got a payment amounting to 65.8 percent of the dollar returns received for wool in 1967.

The percentage method of payment is employed to encourage good production and marketing practices. Under it, the grower who gets the best possible price for his wool also gets a larger payment.

A payment is also made for wool on unshorn lambs to discourage unusual shearing of lambs prior to marketing. The payment is based on the shorn wool incentive rate and for 1967 was $1.05 per hundredweight of unshorn lambs sold or slaughtered.

For mohair, the payment is determined in the same manner as for shorn wool. For 1967, the rate was 86.8 percent of the returns each grower received from the sale of mohair. This percentage is the amount needed to bring the average price of 40.9 cents per pound up to the support price of 76.4 cents per pound.

Support Prices Reflect Location, Quality and Type

Most support levels are national average prices, representing the average of all classes and grades of a commodity as sold by all farmers at their local markets. To determine most support prices to producers, the national price is adjusted to reflect the factors that influence the price at local markets.

Grade and quality ranges for many commodities are wide and are reflected in market values. Location of a commodity is significant in relation to its value. Price differences arise from the varying kinds of a commodity produced, such as variety, class or type.

These and other factors in varying degrees affect the market prices that individual producers get for their production. Likewise, they are recognized in the support operation to gear it into the marketing system. This is necessary to minimize price distortions and supply disruptions and to maintain normal end-use relationships within and between commodities.

Thus, the national average price is converted into specific support prices for specific qualities at specific locations and is set forth in a "price support schedule" for the particular commodity.

Average or normal spreads are established among different varieties, classes, or grades and between different markets, methods of sale, or locations.

These differentials are adjusted or recalculated periodically, usually yearly for most commodities, to adjust to changes in (1) relative market prices; (2) methods of processing; (3) marketing and transportation costs; and (4) the distribution of supplies relative to demand.

This is in line with Section 403, Agricultural Act of 1949, which provides that "appropriate adjustments may be in the support price for any commodity for differences in grade, type, staple, quality, location and other factors. Such

adjustments shall, so far as practicable, be made in such a manner that the average support price for such commodity will, on the basis of the anticipated incidence of such factors, be equal to the level of support determined as provided in this Act."

The effect of these factors on support prices varies considerably from commodity to commodity in line with market practices and price variations. For example, cotton has a wide range of quality as indicated by grade and staple length. This results in more than 500 specific support rates for the various qualities of cotton. Thus, while the national average loan rate for 1968 crop cotton is 19.69 cents per pound, actual loan rates range from 9.9 to 30.55 cents per pound, depending on quality. These are further adjusted for fineness and maturity of the fiber as determined by micronaire readings and by location differentials to get actual producer loan rates.

For most grains, a basic loan rate is determined for each producing county. These county loan rates reflect the national average loan rate taking into consideration the long-time price relationships among the many counties and producing areas. For some grains, loan rates at terminal locations are set in addition to the county loan rates. The basic county and terminal loan rates are adjusted up or down for quality and grade premiums and discounts to get producer support prices.

For example, nearly 3,000 county loan rates and more than 40 terminal loan rates are set for wheat. While the national average loan rate for 1968 production is $1.25 per bushel, basic county loan rates range from 92 cents to $1.56 per bushel and basic terminal loan rates from $1.44 to $1.69 per bushel for grade No. 1 wheat. These are subject to further adjustment by class premiums and discounts, grade premiums and discounts, discounts for smutty and garlicky wheat and for undesirable varieties, and premiums for protein content. These range from a premium of 18 cents per bushel to discounts of more than 30 cents per bushel.

The national average loan and purchase rate for rough rice is broken down on the basis of value factors which are assigned to the class of head rice -- short, medium, and long grains -- and broken rice. The value factors are expressed in cents per pound. The actual support price per hundredweight to producers is determined from the proportion of head rice and broken per hundredweight of rough rice. The support rates, which are applicable to rice of U. S. No. 2 grade, are adjusted by a schedule of premium and discounts for grade and discounts for location to adjust for transportation costs of moving rice to an area where competitive milling facilities are available. Production from areas for which location differentials are specified is small.

For peanuts, the national average support price is broken down by types. Actual support prices are based on grades which reflect various quality factors of the peanuts.

A national average support price is determined for each of seven types of tobacco. Based on the national average, prices are set for the many grades of each type which for some ranges as high as 200 or more. There are no tobacco support location differentials.

Market Prices in Relation to Support Prices

Under the price-support programs, the Government makes a commitment to provide support to individuals for eligible commodities at specified levels, usually by loans and purchases, rather than to maintain the open market price at any specified level. Thus, the fact that market prices fall below the support level does not necessarily mean that program participants do not have the opportunity to receive the support level offered, or that all producers are receiving less than the support level. Program participants have the opportunity to obtain the announced level of support any time during the period price support is available, regardless of whether the market price is below or above support.

Market prices of some agricultural commodities at times fall below support levels. Normally, this is a temporary or seasonal condition prevailing at harvest time. However, it can persist for a longer period when supplies are unusually large relative to requirements, when there are storage problems, or when the crop is below average quality.

Participation in the programs is one factor in keeping market prices at or near support levels. As noted earlier, many factors influence participation of farmers. When farmer participation is low, market prices of some supported commodities may drop below the support level. But for most commodities, participation is extensive and usually results in loans and purchases taking surplus production off the market. This keeps market prices at or near support prices to the benefit of both participants and nonparticipants.

Storage plays a key role in the support program. Availability of storage, both farm and warehouse, is an important factor in the ability of producers to participate. Prices of most crops, such as grains, are supported by loans or purchases as explained earlier. To obtain a price-support loan, a producer must store the commodity either in approved farm storage facilities or approved commercial warehouses. When farm products are pledged to secure price-support loans, it is vital that they be kept in safe storage until they can be moved into useful consumption. Likewise, producers participating through purchases need a good storage place, so that their crop remains in good condition in the period it must be held prior to delivery to the government.

Some of the ways in which lack of storage and storability affects market prices are:

(1) Some producers do not have adequate farm storage. To obtain support, they generally must rely on warehouse storage. During periods of peak marketings, they may not be able to obtain suitable warehouse storage. This problem is aggravated when there is an overall storage shortage. Under such circumstances, the producer sells his commodity at the best price obtainable and if these marketings reach sizable volume, they tend to depress prices further.

(2) Some producers who have adequate farm storage for a normal crop find it necessary to use off-farm storage when they have a larger than usual crop. When other producers in the area and in the county in general also have larger than usual crops, it is difficult for such producers to obtain storage space. Under such circumstances, these producers must sell at market prices those quantities for which they cannot get storage.

(3) Some producers, lacking adequate farm storage, may sell at the market price even though it is below the support level rather than obtain a warehouse storage loan which requires assuming costs of storage during the loan period. Producers who take out farm-storage loans always receive the full support price although, of course, they "assume" costs of storage on the farm. However, on warehouse storage loans on most commodities producers either must prepay storage for the season or else a storage deduction (usually from 8 to 13 cents a bushel in the case of wheat) is made in disbursing the loan. Under these circumstances, a producer may elect to sell in the open market if the market price is above the loan rate less the storage deduction, particularly when it appears unlikely that prices will advance.

(4) The crop may not be of good storing quality. In this situation, public storage facilities may refuse to accept the commodity for storage and thus a producer must elect either (1) to run the risk of both quality deterioration and shrinkage by storage on his farm, or (2) to sell at the market price. When storage is relatively tight, warehousemen may be even more particular about handling grain of questionable storability and this further aggravates the problem.

There always is some portion of a crop not eligible for price support because of poor quality. The proportion varies from year to year. As a general rule, price support is limited to merchantable grades. Obviously, prices for ineligible grades, qualities, and classes may drop to lower levels, depending upon the demand for them. This low level, in turn, can affect prices of better grades in years of large supplies, and the average price received by farmers for all grades and qualities. Thus, in some years when unusual quantities of the crop are low grade, generally due to weather, support is extended to lower qualities in order to maintain price support level for the whole crop.

Commodity prices are sometimes affected by sales by other than farmers. Over the course of a marketing season, considerable quantities of a commodity may be owned by nonproducers. As nonproducers, they are not eligible for price support. Only an "eligible producer" -- that is, any person or other legal entity producing the commodity being supported as owner, landlord, tenant, or sharecropper -- can obtain price support. When markets weaken, the nonproducer owners of commodities may sell stocks in order to minimize or stop their losses. The cumulative effect of such sales may further depress prices.

Thus, broad participation in programs and adequate storage are important factors in the effectiveness of price support.

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GPO 865-881

ASCS PRODUCTION ADJUSTMENT PROGRAMS

Congress has authorized a number of programs which include the objective of helping to adjust the production and marketing of farm crops. Adjustments recommended may be either upward or downward. Among those currently administered by the Agricultural Stabilization and Conservation Service are:

1. Acreage allotments and marketing quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment-quota programs for 1967 crops are in effect for four of the six so-called "basic" crops -- cotton, rice, peanuts, and most types of tobacco -- and allotments are in effect for wheat; special legislation exempts 1967-crop wheat from quotas. Quotas were never in effect for corn, the other basic crop, and the quota authority for corn was repealed in 1954; corn allotments were ended with the 1958 crop. No marketing quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum. A special marketing quota program for tobacco provides poundage quotas as well as acreage allotments when approved by more than two-thirds of the farmers voting in a referendum.

2. Voluntary diversion programs. As authorized by the Food and Agriculture Act of 1965, these programs seek to divert acreage from crop production into an approved conserving use. Such programs are in effect for 1967 crops of feed grains (corn and grain sorghum) and upland cotton.

3. The Cropland Adjustment Program. This program seeks to shift cropland producing crops of which there are actual or potential surpluses into long-term conservation, recreational, and open space uses, for both farm and nonfarm benefit.

4. The Cropland Conversion Program. This program, being conducted on a pilot basis, represents a new approach to the problem of production adjustment by encouraging -- under long-term agreements -- the conversion of acreage from unneeded crop production into alternative income-producing uses such as grass and trees, or recreational or wildlife developments.

5. The Conservation Reserve of the Soil Bank. Under this program, specific acreages of cropland are held out of production under long-term contracts. The program for 1960 was the last under which additional acreage could be signed up.

6. The Sugar Program. This program includes the establishment of acreage "proportionate shares," allotted to farms producing sugar beets or sugarcane when necessary to assure each producer a fair share of the national acreage limitations for the crops. Proportionate shares will not be in effect for the 1967 sugar beet crop, but they will be used in the mainland sugarcane producing area.

ALLOTMENTS AND QUOTAS

Both acreage allotments and marketing quotas seek to adjust production. Acreage allotments, used alone, are primarily guides, providing inducements for compliance but no monetary penalties for noncompliance. If allotments alone are in effect, a farmer who harvests excess acres usually loses the privilege of taking part in the price-support programs available for the crop and -- in the case of wheat for all years except during the period 1965-69 provided a voluntary diversion or certificate program is in effect -- his future farm wheat allotments are reduced; there is no penalty on the excess production unless quotas also are in effect.

Marketing quotas can be used with acreage allotment programs under conditions of heavy supply when a two-thirds majority of voting producers approve. When quotas are in effect, all producers who are not covered by certain exemptions are subject to monetary penalties on production or marketings from their excess acreage if the acreage exceeds the farm allotment. (The crop produced on the farm-allotment acreage thus may be considered as the farm quota except under a tobacco acreage-poundage program, which provides poundage quotas as well as acreage allotments.) They also usually lose price-support privileges.

Under the controlling legislation, marketing quotas can be applied only to the basic crops mentioned above. There is no comparable limitation with regard to acreage allotments, but allotments for 1967 crops are in effect only for the five crops. While the feed grain voluntary diversion program has no "allotments" as such, it operates in a similar manner, since it seeks to guide the crop acreage according to a specific percentage of the "base acreage."

Because eligibility for price support is usually dependent upon compliance with any allotment or acreage-reduction programs which are in effect, a brief review of price-support provisions is given later in this background statement.

ALLOTMENT-QUOTA HISTORY

Base acreages were first used in connection with the programs carried out under the Agricultural Adjustment Act of 1933, under which farmers contracted with the Federal Government to adjust production. Beginning in 1936, allotments were established under the Agricultural Conservation Program for certain "soil-depleting" crops in an effort to encourage farmers to produce in accordance with requirements for food and fiber. In 1938, the basic legislation (Agricultural Adjustment Act of 1938) was enacted, providing current programs of acreage allotments and marketing quotas for most of the allotment crops. The legislative

ction on peanuts was added to the Act in 1941. New provisions were authorized by later legislation for wheat, feed grains, and upland cotton.

PREWAR

Acreage allotments, which the Agricultural Adjustment Act of 1938 directed to be proclaimed each year, were used for basic crops from 1938 to 1943. During these years, marketing quotas were also used for cotton, wheat, peanuts, and tobacco, though not every year for the crops other than cotton.

WAR ADJUSTMENTS

With the beginning of World War II, the situation changed. While production of basic crops continued large, demand for most commodities far exceeded available supplies. Acreage allotments for corn and cotton were at first relaxed and then lifted entirely, together with allotments for wheat and rice; during the year 1943, marketing quotas were terminated for the 1942 crop of wheat and for 1943 crops of wheat, cotton, fire-cured and dark air-cured tobacco, and peanuts. From 1943 to 1949, allotments were not used as a part of the farm program except in connection with marketing quotas for certain kinds of tobacco, which were covered by special legislation during the war years. Marketing quotas were proclaimed and approved for the 1948 crop of peanuts, but were later terminated because of the world shortage of foods, fats, and oils.

POSTWAR

From 1949 through 1967 acreage allotments only (marked "A") and marketing quotas, operating through allotments, (marked "Q") were in effect for the basic crops as follows:

	1949	'50 1/	'51	'52	'53	'54	'55	'56	'57-'58	'59-'63	'64-'67
Wheat (for 1956-'63 crops, effective only in commercial wheat States).......		A	A2/			Q	Q	Q	Q	Q	A
Cotton (upland)...........		Q				Q	Q	Q	Q	Q	Q
Cotton (extra long staple).						Q	Q	Q	Q	Q	Q
Rice......................		A	A2/				Q	Q	Q	Q	Q
Peanuts...................	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
Tobacco, major types.......	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q	Q
Corn (in commercial counties)		A1/	A2/			A	A	A3/	A	4/	4/

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1/ In 1950, allotments were also in effect for dry beans and potatoes (commercial); corn allotments were effective only in the "commercial corn area," defined by law.

2/ For 1951, wheat and rice allotments were in effect for a time, but were terminated early in 1951; corn allotments were terminated before announcement of the actual allotment.

3/ Allotments used only in connection with price-support determination; superseded by larger "base acreages" for commercial corn-producing area.

4/ Growers voted to end corn allotments in a Nov. 25, 1958 referendum. A voluntary feed grain acreage diversion program was in effect for corn (with grain sorghum) in 1961, and for corn (with grain sorghum and barley) in 1962, 1963, and 1964. A similar program is authorized for 1965-69 feed grain crops.

CURRENT

For 1967, both allotments and quotas are in effect for all basic crops except wheat and corn -- they no longer apply to corn since growers voted in November 1958 to eliminate corn acreage allotments and special legislation exempts 1965-69 wheat crops from quotas. However, allotments are in effect for 1967-crop wheat as a means of determining eligibility for the available price-support loans and certificates, and "permitted acreages" operate in much the same way for corn (and grain sorghum) under the 1967 feed grain program. (See p. 8 for explanation on wheat program and p. 10 for diversion program for corn and grain sorghum.)

National acreage allotments for 1967 crops are: Wheat, 68.2 million acres; cotton (upland), 16 million acres (plus 200,000 acres as a national reserve to take care of minimum farm allotments); cotton (extra long staple), 70,500 acres; peanuts, 1,610,000 acres; rice, 2,000,052 acres; tobacco - flue-cured (types 11-14), 607,335 acres; burley (t.31), 250,153 acres; fire-cured (t.21), 9,405 acres; fire-cured (t.22-23), 26,744 acres; dark air-cured (t.35-36), 12,746 acres; Virginia sun-cured (t.37), 2,829 acres; cigar binder (t.51-52), 4,396 acres; cigar filler and binder (t.42-44, 53-55), 19,837 acres.

Legislation enacted in the spring of 1964 provided for the first time for a national "domestic allotment" for upland cotton. For 1967, the domestic allotment has been announced at 10,425,000 acres (65 percent of the national allotment).

Early in 1965, legislation authorized acreage-poundage marketing quota programs for tobacco when approved by more than two-thirds of the growers voting in a special referendum as a means of avoiding further acreage cuts because of increased yields. (See p. 6.) This program is in effect for 1967 flue-cured tobacco, but it was turned down by burley tobacco growers in 1966 and 1967.

HOW ACREAGE ALLOTMENTS WORK

The Secretary of Agriculture proclaims acreage allotments for rice each year unless they are suspended because of emergency conditions. Allotments for cotton, peanuts, and tobacco (and for wheat in years when quotas are proclaimed) are announced in connection with marketing quotas.

The rice acreage allotment must be announced by December 31. See "How Marketing Quotas Work," p. 7 for dates of announcements on other crops.

METHOD OF APPORTIONING ALLOTMENTS

The first step under an allotment program is to establish the national acreage allotment. For rice, this is done directly; for wheat, cotton and peanuts, it is done indirectly; for tobacco, no national acreage allotment as such is determined.

For rice, a national acreage allotment is established which, at average yields, would produce enough, together with the estimated carryover, for domestic consumption, exports, and reserve supplies. For cotton and peanuts (and for wheat

years when quotas are proclaimed), a national marketing quota (the amount of the crop to be produced the following year) is first proclaimed and then converted into a national acreage allotment. (For rice, cotton, and peanuts legislation provides minimums below which the allotment -- or quota -- may not be established, regardless of the amount needed.)

These national allotments are divided among the States producing the commodities, generally on the basis of production history.

The method for dividing the State allotments among farms varies according to the commodity. State allotments for peanuts are apportioned directly among individual farms. State allotments for some rice States are allocated first to rice producers and then to farms. State allotments for wheat, cotton, and certain rice States, are apportioned first among counties and then the county allotment is apportioned among farms.

In the case of tobacco, a national marketing quota is proclaimed, divided among tobacco-producing States, and converted to State acreage allotments, which are then divided among farms in the State.

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Keeping the farm acreage of the crop within the acreage allotment is generally necessary in order to qualify for price support. However, the Secretary of Agriculture is directed to provide a reasonable period of time before harvest within which any acreage of a basic crop in excess of the allotment for the crop may be adjusted by the farmer to the farm's acreage allotment.

A similar provision includes keeping the acreage within farm permitted acres and meeting other provisions of the feed grain diversion program as a condition of price-support eligibility for corn and grain sorghum.

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(See also Wheat Program, p. 8; Feed Grain Program, p.10.)

HOW MARKETING QUOTAS WORK

The Secretary of Agriculture is directed by law to proclaim marketing quotas generally when supplies of a basic crop are excessive. The level at which quotas must be proclaimed for most of the crops is specified by law. (See p. 7.)

Two exceptions to this rule are: (1) Marketing quotas must be proclaimed each year for peanuts, without regard to the supply situation; and (2) if quotas are once proclaimed for a particular kind of tobacco because of large supplies, legislation requires that quotas be proclaimed for 3 years for that kind of tobacco and that the amount of the quota for the first year of such 3-year period be announced. (If tobacco growers have disapproved quotas for 3 years in succession, quotas which would be in effect within the 3-year period for which quotas were disapproved may not be proclaimed unless, prior to November 10 of the marketing year, one-fourth or more of the farmers engaged in production of such tobacco petition the Secretary to proclaim quotas.)

In most cases, quotas may not be used unless at least two-thirds of the eligible producers voting in a referendum approve their use. (Usually, an eligible producer is one who engaged in the production of the crop during the previous year.) Approval by "more than two-thirds" of the voters is required to put acreage-poundage tobacco quotas into effect.

For tobacco and peanuts, the vote is on quotas for 3 years; if growers vote disapproval of quotas, another referendum on 3-year quotas will be held the following year. (For exception to this rule for tobacco, see second paragraph in this section.) A 3-year vote on wheat quotas is authorized, but only 1-year votes have been held. For other crops, the vote is on quotas for 1 year.

Provision is made for increasing, suspending, or terminating quotas under certain demand and supply conditions, in the interest of consumers, or in national emergencies.

Quotas seek to limit the marketing of the commodity during the marketing year by placing penalties of so much per pound or per bushel on marketings in excess of the quota. The crop grown on the farm allotment acreage may be considered as the farm quota. (In the case of cotton and rice and wheat when quotas are in effect, the amount of the crop considered to be excess may be adjusted in the event of unusually low yields.)

Under an acreage-poundage tobacco marketing quota program, a farm's penalty-free marketings may be 10 percent (20 percent the first year for burley) more than the farm's poundage quota. Any marketings in excess of the farm's quota will be deducted from the quota for the following year; if less than the poundage quota is marketed in any year, the difference will be added to the farm's quota (both acres and pounds) for the following year. (Price support is available on the farm's penalty-free tobacco if the harvested acreage for the farm is kept within the acreage allotment.)

For rice (and for wheat in years when quotas are in effect), the producer may postpone or avoid a marketing quota penalty by delivering the "excess" of the crop to the Secretary of Agriculture or storing it in accordance with applicable regulations. Somewhat similar storage provisions are provided by law for tobacco.

(If growers disapprove quotas, price supports for most basic crops may be made available to producers who do not exceed their acreage allotments only at 50 percent of parity and to noncooperators at such levels, not in excess of the level for cooperators, as the Secretary determines will facilitate the effective operation of the program. If tobacco quotas are disapproved, no price support may be made available for the particular kind and crop for which quotas were disapproved.)

The level of supply of the various basic crops at which marketing quotas must be proclaimed, and the dates of the proclamation and the referendum are as follows:

Crop	Proclamation Supply Level	Proclamation Date	Referendum Date
	In excess of:	Not later than:	
Cotton (upland)	Normal supply	Oct. 15	Not later than Dec. 15
Cotton (extra long staple)	Normal supply plus 8%	Oct. 15	Not later than Dec. 15
Peanuts	Proclaimed each year: supply does not govern	Nov. 30	Not later than Dec. 15
Rice	Normal supply	Dec. 31	Within 30 days
Tobacco	Reserve supply (normal supply plus 5%) 1/	Dec. 1 (flue-cured)	Within 30 days
		Feb. 1 (Others)	Within 30 days
Wheat	When determined by the Secretary to be excessive in the absence of marketing quotas (not applicable to 1966-69 crops)	April 15	Not later than August 1

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1/ Since quotas have been proclaimed previously for each major kind of tobacco, legislation requires that quotas be announced each year without regard to the supply level. (See also page 5, second paragraph under "How Marketing Quotas Work.")

Through the years, a total of 156 marketing quota referendums have been held (as of March 3, 1967), 24 of which turned down the quotas (22 tobacco, 1 rice, 1 wheat). Latest referendums on marketing quotas for basic crops were held on the following dates, with the results indicated:

CROP	DATE	TOTAL VOTES	PERCENT "yes" OF TOTAL VOTES CAST
Cotton, upland ('67 crop)	Dec. 5-9, 1966	301,442	91.6
Cotton, extra long staple ('67 crop)	Dec. 5-9, 1966	2,813	78.4
Wheat ('64 crop)	May 21, 1963	1,222,856	47.8 1/
Rice ('67 crop)	Jan. 3-5, 1967	11,661	88.0
Peanuts ('66-'68 crops)	Nov. 23, 1965	36,413	97.5
Tobacco:			
Flue-cured ('65-'67 crops)(acreage-poundage program)	May 4, 1965	229,880	73.6
Burley ('65-'67 crops) 2/	Feb. 25, 1965	361,167	99.0
Fire-cured ('67-'69 crops)	Feb.13-17,1967	13,783	93.5
Dark air-cured ('67-'69 crops)	Feb.13-17,1967	13,695	93.0
Cigar-binder ('66-'68 crops)	Feb. 10, 1966	354	96.6
Cigar filler & Binder ('66-'68 crops)	Feb. 10, 1966	3,659	91.3
Va. sun-cured ('65-'67 crops)	Feb. 25, 1965	1,169	97.5
Pa. cigar filler ('65-'67 crops)	Feb. 18, 1965	3,206	11.8 1/
Maryland ('67-'69 crops)	Feb.20-24,1967	6,375	61.0 1/

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1/ Quotas disapproved, since not favored by at least two-thirds of total votes.

2/ In a mail referendum Feb. 27-March 3, 1967, only 58.8 percent of the 341,539 growers voting approved the new acreage-poundage program for 1967-69 burley tobacco crops. Approval by "more than two-thirds" was required.

VOLUNTARY DIVERSION PROGRAMS

Wheat Program

The Food and Agriculture Act of 1965 authorized a voluntary wheat (acreage-diversion and marketing certificate) program for 1966-69 wheat crops and exempted these crops of wheat from marketing quotas. However, no acreage diversion is provided under the 1967 wheat program, and the increased wheat allotment gives farmers the opportunity to boost their wheat plantings.

1967 Program

The 1967 voluntary wheat program includes price-support loans and marketing certificates. It is again designed to maintain wheat income, stabilize wheat supplies, and keep program costs down as well as meet increased demands for the crop.

The program also provides for: (1) Substitution of wheat for feed grains or feed grains for wheat by growers who take part in both programs; (2) where requested by the grower for the purpose of substituting wheat, the establishment of a barley base and an oats-rye base for a farm with production history of these crops; and (3) storage under proper security of wheat produced in excess of the farm allotment (not to exceed 150 percent of the allotment) by growers who at signup time declare their intention to do this.

Program benefits to producers who take part and qualify include:

1. Price-support loans averaging $1.25 a bushel nationally on their entire farm wheat production (except any wheat stored under the excess provision).

2. Domestic marketing certificates based on 100 percent of parity as of July 1, 1967, less the announced price-support loan level of $1.25 per bushel. The certificates will be available on a maximum of 35 percent of the projected production of the farm allotment.

For producers who use the substitution provision or request a barley base or an oats-rye base, wheat may be planted on feed grain acreage on farms participating in both programs. Feed grains (corn and grain sorghum) may be planted on wheat allotment acreage provided neither a barley nor an oats-rye base is in effect for the farm.

To qualify for price support and certificates under the 1967 wheat program, the producer signs up, has an acreage of wheat no larger than the farm allotment (unless he plans to use the excess storage provision or the substitution privilege), keeps within the wheat allotment or permitted acreage for any other farm in which he has an interest, keeps within all other allotments established for the participating farm, and meets other provisions of the program.

If the producer wants to substitute wheat for feed grains, or vice versa, he signs up in both programs, keeps the total acreage of wheat and feed grains within the total permitted acreage for both crops, devotes to conserving uses the farm's usual acreage of cropland devoted to such use (the conserving base) plus the acreage signed up for diversion from feed grains, and otherwise meets provisions of the programs.

Planting wheat on feed grain acreage will not increase the wheat certificates issued for a farm.

Growers declaring their intention to do so may overseed wheat up to 50 percent of the farm's 1967 wheat allotment and still be eligible for a price-support loan (on all but the "excess" wheat) and for marketing certificates if they store the excess production under proper security, and meet other provisions of the program. Wheat stored under this provision may be released later, based upon future underplanting or underproduction of the farm wheat allotment.

Growers overseeding and storing excess wheat will not be eligible (1) to substitute wheat for feed grains or feed grains for wheat, or (2) to have a barley or an oats-rye base established for their farm.

The signup period for 1967 wheat (as well as the feed grain and upland cotton) program is February 6 through a deadline (not later than March 17) to be set by the ASC State Committee. Filing an intention to participate during this period is a necessary first step for the operator to qualify his farm's wheat for price-support loans and marketing certificates.

Feed Grain Program

The Food and Agriculture Act of 1965 authorized an acreage-diversion program for the 1966-69 crops of feed grains as a means of continuing progress in stopping the buildup of excess stocks, reducing program costs, and raising farm income by assuring fair prices for feed grain producers and providing a basis for stability for livestock prices. (Similar feed grain programs have been authorized by special legislation since 1961.)

Loans and price-support payments for 1967 will be available to the grower of corn and grain sorghum for reducing his acreage of one or both of the feed grains 20 percent below the farm's total base acreage and devoting the diverted acreage to an approved conserving use. Payments for diversion will be available only to growers on small farms.

Farms with feed grain bases of 25 acres or less will be eligible for land-diversion payments equal to 20 percent of the total support (loans plus price-support payments) for the qualifying diversion (20 percent of the base acreage) and 50 percent of the support on any additional acres diverted, up to the total base. Producers who have bases of more than 25 acres -- but not more than 125 acres -- and who divert 25 acres and plant no feed grains will be eligible for diversion payment on 5 acres at 20 percent of the support and on 20 acres at 50 percent of the support.

A producer with more than one farm may limit his participation to one farm. However, planting in excess of the feed grain base on any other of his farms will disqualify the producer for payments and price supports on the signed-up farm.

The price-support payment will be made on the projected yield of up to 50 percent of the base acreage. In addition, the entire production from the permitted feed grain acreage will be eligible for a price-support loan.

The 1967 price-support loan and payment division will be as follows:

	Loan Rate	Payment Rate	Total Support
Corn (per bu.)	$1.05	$0.30	$1.35
Grain sorghum (per cwt.)	1.61	0.53	2.14

Eligibility for program payments is conditioned upon the producer's maintaining the farm's conserving base in conserving uses or practices, including summer fallow and idle land on the farm. Acreage diverted from feed grains and devoted to conserving uses in 1967 is in addition to the conserving base acreage for the farm.

Where a producer is signed up for both the wheat and feed grain programs, wheat may be substituted for feed grains or feed grains for wheat within the total permitted acreage. Price-support loans and purchases will be available on the entire production of wheat and feed grains. However, price-support payment for feed grains will be limited to the smaller of (a) the acreage planted for harvest or (b) 50 percent of the feed grain base; the wheat certificates will be limited to the farm's share of the domestic marketing allocation (35 percent of the projected production of the farm wheat allotment).

Producers may also request establishment of an oats-rye base or a special barley base for their farms for the purpose of growing wheat on such acreage. If this is established, plantings of corn and grain sorghums may not exceed the feed grain permitted acreage.

In 1967, growers who choose to accept reduced payments may plant alternate nonsurplus crops on the minimum diverted acreage of 20 percent of the feed grain base. Such crops are castor beans, guar, sesame, plantago ovata, mustard seed, and crambe.

Feed grain acreage signed up for diversion in 1966 totaled 36.2 million acres on 1.5 million farms.

(For signup information, see end of wheat program description, page 10.)

The Upland Cotton Program

The Food and Agriculture Act of 1965 authorized a national "domestic acreage allotment" program for 1966-69 crops of upland cotton. The purpose was to reduce upland cotton production through additional voluntary reductions in planted acreage.

The 1967 Program

For 1967, with marketing quotas in effect -- as approved by farmers in a referendum -- growers will be able to earn diversion payments for reducing upland cotton acreage by from 12.5 to 35 percent below the farm allotment and putting the acreage into an approved conserving use. The diversion payment at the rate of 10.78 cents per pound will be based on the farm's projected yield for the diverted acreage. For small farms with effective allotments of 10 acres or less from which allotment acreage is not released for 1967, or on which the projected production of the farm allotment is not more than 3,600 pounds, no acreage reduction is required in order to receive program benefits.

Growers who choose to accept reduced payments may plant alternate nonsurplus crops on cotton diverted acres. For 1967, such crops are castor beans, guar, sesame, plantago ovata, mustard seed, and crambe.

Price-support loans for Middling one-inch cotton at a national average of 20.25 cents per pound, gross weight, at average location, will be available to participating growers, as well as price-support payments. This payment at the rate of 11.53 cents a pound will be based on the farm projected yield times the acreage planted for harvest within the domestic allotment (65 percent of the effective allotment). The effective allotment is the farm allotment after any release or reapportionment. This payment helps compensate farmers for reducing production and sales by taking part in the domestic allotment program.

(For signup information, see end of wheat program description, page 10.)

Price Support

Price support is mandatory for the basic crops (wheat, cotton, corn, rice, peanuts, and tobacco); the only exception is no support is available for tobacco if quotas have been disapproved by growers.

If growers disapprove marketing quotas for peanuts, upland cotton, extra long staple cotton, rice (or wheat in years when marketing quota provisions are in effect), price support for that commodity is made available by law at 50 percent of parity. (Special legislation exempts 1966-69 wheat crops from marketing quotas.) Quotas do not apply to corn. Eligibility for price support on all of the basic crops (except corn) depends on not exceeding the acreage allotment for that crop. (Allotments do not apply to corn.) Price support may be made available to noncooperators at such levels, not in excess of the level of price support to cooperators, as the Secretary of Agriculture determines will facilitate the effective operation of the program.

For feed grains in 1967, a grower of corn or grain sorghum may qualify for price support on these crops by participating in the feed grain program. This means reducing the total acreage of corn or grain sorghum at least 20 percent below the total farm base and shifting this diverted acreage to a conserving use, and meeting other provisions of the program.

Support Levels

For the 1966-69 wheat crops, the Food and Agriculture Act of 1965 authorizes a certificate-type program without regard to quotas. Price support for wheat covered by domestic certificates (estimated to be the wheat needed for domestic use) shall be at 100 percent of parity or as near thereto as the Secretary determines practicable. Support for wheat not covered by marketing certificates is at such level, not in excess of the parity price, as the Secretary determines appropriate, taking into consideration competitive world prices of wheat, the feeding value of wheat in relation to feed grains, and the level at which price support is made available for feed grains. (See explanation of 1967 wheat program, p. 8.)

Price-support levels for peanuts may range from 75 to 90 percent of parity, the minimum depending on the level of supply at the time of the determination. The range of support for extra long staple cotton is between 60 and 75 percent of parity. For upland cotton and rice (see also next two paragraphs), the maximum level of support is 90 percent of parity and the minimum level is 65 percent of parity.

For the 1967-69 crops of upland cotton, legislation provides that price support be available through loans at such level (not exceeding a level which will reflect for Middling 1-inch upland cotton at average U. S. location 90 percent of the estimated average world market price for such cotton for the crop's marketing year) as the Secretary determines will provide orderly marketing of cotton during the harvest season and will retain an adequate share of the world market for U. S. cotton, taking into account certain specified factors. As announced for the 1967 upland cotton crop, participating growers may qualify for price-support payments in addition to the basic cotton loans; the payments are based on the projected yield of the cotton acreage planted for harvest within the farm's domestic allotment.

For the 1966 and 1967 rice crops, provisions of the law also in effect direct price support for the various varieties at levels no lower than those for the 1965 crop.

On tobacco crops for which quotas have not been disapproved, legislation directs that the support level be determined by adjusting the 1959 support level upward or downward in proportion to changes in the parity index (prices paid by farmers, including interest, taxes, and wage rates), using the previous 3-year moving average. (Thus, the "change in the parity index" will be determined according to the ratio of the average prices that farmers paid during the previous 3 years to the average prices paid in 1959. The 1959 support level multiplied by this ratio will be the support level for the current crop.)

For corn, legislation provides that, in the case of any crop for which an acreage diversion program is in effect for feed grains, the level of price support for corn of such crop shall be at such level not less than 65 per centum or more than 90 per centum of the parity price therefor as the Secretary determines necessary to achieve the acreage reduction goal established by him for the crop. A portion of the support price for any feed grain included in the acreage diversion program may be made available to producers through payments in kind in order to assure that those producers who cooperate in reducing their acreages of feed grains may primarily receive the benefits of the price support and diversion programs. (See explanation of 1967 feed grain program, page 10.)

Price supports for the other feed grains, by law, are determined according to the parity price level which the Secretary determines is fair and reasonable in relation to the level at which price support is made available for corn, and taking into consideration the feeding value of such commodity in relation to corn and certain other factors, including supply in relation to demand, the ability of the Commodity Credit Corporation to dispose of stocks acquired under price support, the ability and willingness of producers to keep supplies in line with demand, and support levels for other commodities.

In the event of an emergency, the Secretary of Agriculture may increase the support above the specified parity level for any needed crop.

(This publication does not attempt to cover price supports for other agricultural commodities -- either mandatory or permissive. This section merely gives the highlights on support authorization for crops for which "production adjustment" programs are in effect.)

Soil Bank

Farmers took part in the Conservation Reserve of the Soil Bank by voluntarily contracting with the Commodity Stabilization Service (the predecessor of ASCS) to "reserve" -- or withdraw -- a stated acreage of their cropland from production for a period of 3, 5, or 10 years, and to devote it to an approved conservation practice. For this, the farmer received conservation cost-sharing and technical assistance in addition to annual payments to compensate for the loss of income the acreage would otherwise produce.

The Conservation Reserve was begun in 1956, and authority to put new land in the program ended with the 1960 program.

As of January 1, 1967, a total of 11 million acres were still included in this program. Annual payments will continue to be made for the term of the contracts in effect. All except a few special forestry cases will expire by the end of 1969.

Cropland Conversion Program

Under a land-use adjustment program authorized on a test or pilot basis by the Food and Agriculture Act of 1962, farmers are being assisted in converting cropland to other income-producing uses which also conserve soil and water resources. The program encourages profitable alternative uses of cropland which has been producing row crops and small grains that are not now needed. The Secretary of Agriculture enters into agreements with farmers to convert cropland for a period of 3 to 10 years to grass, forests, water storage, wildlife habitat, or recreational facilities.

Under the 1963-66 programs, about 9,000 agreements were put into effect on about 475,000 acres in 260 counties of 41 States.

Farmers who participate in the program receive adjustment payments, cost-sharing payments, and technical assistance. The program is administered by ASC committees with technical assistance provided by the Soil Conservation Service and the Federal or State forestry agencies.

The announced 1967 program will permit the acceptance of 3-year agreements on about 125,000 acres of additional cropland.

Cropland Adjustment Program

The Cropland Adjustment Program, authorized by the Food and Agriculture Act of 1965, seeks to shift cropland producing crops in actual or potential surplus (mostly cotton and feed grains in 1967) into long-term (5 to 10 years) conservation, recreational, and open space uses. The program also emphasizes assistance to those farmers who because of age, off-farm employment, or other personal adjustment reasons desire to reduce their farming operations.

Accepted agreements are paid at a rate determined by the crop diverted and the productivity of that crop on the farm. Additional payments may be made, where offered, under agreements which permit free public access to designated acreage for hunting, trapping, fishing, and hiking. Participants agree to divert all of at least one of their bases or allotments and can then divert other crop bases and allotments.

The program's Greenspan provision makes grants to local and State governments to help them acquire cropland for nonfarm uses such as preservation of open space and natural beauty, wildlife habitat, recreation, and prevention of air and water pollution. By late March 1967, about 28 such grants had been approved.

In 1966, more than 36,000 CAP farm agreements were signed by farmers in 46 States to place about 2 million acres of cropland in the CAP.

The signup scheduled for the 1967 CAP was from late in 1966 through March 3, 1967. The national goal of 2 million additional acres established for 1967 was quickly oversubscribed.

Sugar Program

The Sugar Act of 1948, as amended, is designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade.

The Secretary of Agriculture is required to establish proportionate shares (farm allotments) for sugar beets or sugarcane of any crop if he determines that in the absence of restrictions the production of sugar from such crop would be greater than the quantity needed to fill the area quota and provide a normal inventory. Farm allotments may be expressed either in acres, tons of sugarcane or beets, or quantity of sugar. Direct payments are made to such producers provided they keep their marketings within their proportionate shares and also meet certain child labor, wage, and price requirements prescribed by law.

Proportionate shares are in effect for the 1967 sugarcane crop in the mainland cane sugar area (Florida and Louisiana) but not for the 1967 sugar beet crop.

PROGRAM ADMINISTRATION

ASCS farm programs are administered in the field by Agricultural Stabilization and Conservation (ASC) farmer-committeemen.

ASC State committees consist of from three to five farmer-members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or are eligible to participate in the program.

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While it isn't "necessarily so," this may well be the last time I come before you as a co-worker. So perhaps a little reminiscing is in order.

For eight seasons we have worked together as a team. We've had some great moments and some not so great moments, many victories, a few defeats.

I don't think we ever became complacent in victory. I don't think we ever became despondent in defeat. I don't think we ever let up for a moment in our efforts to pull American agriculture back into the economic mainstream.

When we recognize what remains to be done, we know we haven't accomplished all that we had hoped. But when we consider how far we've come in the years since 1960, we can be justly proud of what we have achieved.

Adress by Secretary of Agriculture Orville L. Freeman at the 10th Annual Conference of the National Association of ASCS County Office Employees, 7 PM, EDT, August 10, 1968, Sheraton Park Hotel, Washington, D.C.

I am here today to tell you that this record of solid progress could never have been written without the determined men and women of ASCS -- you, the dedicated local representatives who meet problems head-on at the root level ... and do it with equal parts of determination, tact and discretion.

Despite all the change that has occurred in agriculture in the past few years, you still deal with one of the most fiercely independent individuals in any society, anywhere, anyplace -- the American farmer.

That is why the farmer committee system is so necessary. The decisions that affect the farmer most directly are made by people he knows -- not by bureaucrats isolated in Washington. But the committee system wouldn't work -- not for one minute -- without the highly skilled people who staff our county offices ... who are responsible for the day to day job of administering farm programs.

The American farmer, the American consumer, indeed all Americans are indebted to you for what you have done and are doing.

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Remember President Kennedy's words 8 years ago? "Let's get America moving again." Nowhere was this challenge greater than in an agriculture made sluggish by the heavy diet of overproduction. I remember vividly standing with him on his front porch in Georgetown on a snowy evening in December 1960 when he announced that he was appointing me Secretary of Agriculture with these words: "The single greatest domestic problem we face is American agriculture."

He was right.

The farmer was a victim of his own progress and his Government's indifference.

Between 1952 and 1960, farm income dropped by almost 20 percent.

Farm surpluses swelled. By 1960, the Commodity Credit Corporation had accumulated over $4.5 billion in stocks.

Exports, a major source of farm income, had failed to keep pace with rising production.

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Farm programs were costing the taxpayer more and more, while the farmer received less and less.

The tide of despair ran strong in rural America, as farmers were swept into a whirlpool of sinking price and spiraling production.

Today we know we have reversed this tide.

You know what has happened. Per farm income on a national per capita average -- up 55 percent from the beginning of this decade. Exports -- up 51 percent since 1960 to $6.8 billion. Price-depressing surpluses -- virtually eliminated, with CCC inventories down to less than $1 billion today, and that's the lowest since 1953. Grain prices are down now at harvest time with a record crop in prospect, but farm income will net an estimated $500 million over last year.

What has made these achievements possible? In a nutshell, good legislation.

* The voluntary grain programs of the early sixties.

* The Food and Agriculture Act of 1962.

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* The Wheat-Cotton Bill in 1964.

* And one of the truly great farm bills in history, the Food and Agriculture Act of 1965. Great because it gave us the wheat, cotton, wool, and feed grains commodity programs. Great because by combining the wisdom of 30 years experience in agriculture, and by giving continuity to these programs, it makes it possible for us to move land in and out of production as needed ... because it helps us avoid the boom and bust that has always plagued the farmer by keeping supply and demand in reasonable balance.

But often -- too often -- when you look at this record of solid achievement in agriculture over the past 8 years, you get the feeling that this is the greatest story never told.

I mean that! Too seldom do we hear and read about the positive side. As a result, many Americans do not know and do not appreciate the fact that they are beneficiaries of the world's greatest agricultural production plant.

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Communicating the story of agriculture -- this I can attest, is a very difficult challenge.

I have given it top priority because I've believed all along that the battle to gain support for and understanding of farm programs transcends even the battles of the surpluses and supply demand balance.

We've proved that we can more than hold our own on those battlefields. The surpluses are gone; production, although exploding in this year of extra-ordinary worldwide production, will be cut back next year. And we have made great strides in getting people to understand that there is a relationship between urban and rural problems ... that programs that elevate the income and living of rural Americans are good for all Americans.

But we have not been entirely successful in getting the whole story across.

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This is clear when current debate shows there is a lack of understanding of the farmer's need for a charter to a fair price and a good life. That charter is the Food and Agriculture Act of 1965.

Take it away and what would we have? Well, if you grow wheat, our economists estimate you'd be getting about 70 cents for it today with a harvest of almost 1.6 billion bushels in prospect. Corn would go as low as 60 cents with yields estimated at nearly 80 bushels an acre. That's up more than 17 bushels an acre from the year I stood on that porch in Georgetown with President-elect Kennedy.

Yes, this farmer's charter can be taken away, and in the process we can quickly eliminate soil conservation that is effective; production that is balanced; and income that is fair.

People <u>must</u> know and understand that these programs are <u>not</u> a million dollar boondoggle for a bunch of fat cat farmers who don't need help anyway.

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They must know and understand that payments under farm commodity programs are not welfare handouts ... that we are not writing relief checks to farmers whether they need relief or not ... that farm programs are not designed just for small farmers.

If they want to talk about help for the small farmer, we can start with the payments, because payments actually represent a much larger proportion of income on small farms than on the large ones. On the smallest farms -- those with cash receipts of $2,500 or less -- the payments accounted for 19.6 percent of income. None of the other economic groups of farmers comes even close to that. In fact, when all farms are considered payments represent only 6.6 percent of total income.

And what about ACP? This program has been an almost constant crucible of change the past few years and for virtually one reason -- to provide special and more effective assistance to low-income farmers. The most recent change, you'll recall -- cost-sharing on home gardens -- was announced just a few days ago. I can tell you that I'm proud of the way you have developed this program.

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We have seen the cloud of fiction pass over agriculture before. We have seen that the truth rarely penetrates this cloud in pure form ... that more often, what falls is a torrent of fabrication that defies clarification or explanation.

The trouble is that most opponents of farm programs follow the policy of hit first and ask questions later.

You may have heard the story about the man who grew up in a low-cost public housing development. He went to public school, rode the school bus free and got a free lunch at school. He went to college on the GI Bill. He bought his farm with an FHA loan. Later, he bought a small business and when it seemed in danger of folding, he got a loan from the Small Business Administration and was able to keep it going. His children were born in a hospital built partially with federal funds. His mother and father received social security and old age benefits and Medicare paid most of their medical bills. This man's farm was served by a rural electric cooperative. He cleared land with an FHA loan. He made extensive use of price support loans, and other federal assistance to farmers.

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Then, after all this, he sat down one day and wrote his Senators and Congressmen the following letter:

"I believe in rugged individualism. People should stand on their own two feet. I stand on my own two feet. I oppose all those socialistic trends you have been voting for and demand a return to the free enterprise system of our forefathers.

"My neighbors and I intend to vote against you this year."

Had I written a reply, I'd remind this man that the frontier he is talking about was swept away by Lewis and Clark and Daniel Boone ... that today we are confronted with the far more complicated frontiers of space and peace and plenty ... that the kind of rugged individualism we need is the kind that can deal with the problems of the most advanced society man has ever known ... that we can't solve space age problems with pious and half-baked platitudes about the good old days.

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As I said earlier, the opponents strike first and ask questions later. They always seem to end up dodging the facts. What are <u>their</u> alternatives? Do they seek to strengthen, refine or improve? No. They seek to weaken, dilute and destroy. Not one speech in opposition to the four-year extension of the Food and Agriculture Act of 1965 offered a single constructive proposal. In this critical time for the American family farmer it isn't enough to be against -- he who objects should have a positive alternative.

One of the most important jobs of the county ASC office employee ... of the county committeeman ... and the community committeeman ... is to tell the positive side of the story.

If you want to give this story a name call it "The Reconstruction of Rural America." Why? Because rural America needed rebuilding. It needs more jobs, better income, better facilities for living and better -- much better -- opportunity.

And that's just what it's getting today.

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Eight years ago, rural Americans faced almost insurmountable problems:

* Net income -- forced downward by mountainous surpluses -- had dropped 17 percent in the previous 8 years.

* Half the Nation's poor lived in rural America, yet it had only 30 percent of the entire country's population.

* One rural home in three lacked hot and cold running water. More than one million homes just weren't fit to live in.

* People in at least 35,000 rural communities were without modern water systems, and people in 45,000 communities were without sanitary sewer systems.

* The people in these same communities lacked medical, dental and educational facilities. More than 700,000 rural adults had never been to school; another 3 million left school before getting to the 5th grade; 19 million more had not finished high school.

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* People were fleeing the countryside at the rate of 3 million per year.

And no wonder! They saw the fingers of decay, a full third of the Nation in their grip.

Technological revolution in farming, mining, and lumbering had wiped out millions of jobs. Within a half-dozen years, in the Mississippi Delta alone, farm harvest needs were lowered from 750,000 man-days to 95,000. Lacking jobs, more and more people, the educated and illiterate, the skilled and unskilled -- but especially the young -- headed for what seemed their one hope, the city.

Between 1950 and 1960 U. S. population grew by one-fifth and the population of our most rural communities dropped 15 percent. The number of people on farms declined by 7.5 million. So by 1960, 7 out of 10 Americans were bunched together on less than 2 percent of our land. It was beginning to take longer to cross town in a car than it used to take in a cart. Congestion, noise, tension, pollution of water and air, unemployment, rising welfare costs -- quickly these became the legacy of rural-urban imbalance.

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Today the spirit of hope has returned to rural America. It came back with the new jobs, housing, water and sewer systems, economic opportunity loans and recreational and cultural opportunities. It came back with rebounding farm income ... with farm programs that gave farmers the lead time to plan ahead.

Occasionally, it's useful to call the roll of progress in Town and Country USA since 1961 -- to tell what we have done these last eight years to rebuild and revitalize rural America.

Since 1961, FHA has provided new or improved homes for almost 1 million rural people.

We now provide 200 times the assistance to rural communities for water and sewer systems over what they received in 1960. Last year alone more than 1,100 communities received these facilities with our assistance.

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For the rural American trapped in poverty -- for more than 57,000 low income rural families -- we have helped bridge the gap to hope with economic opportunity loans for self-employment enterprises.

About 100,000 farm families have received farm ownership loans that enabled them to buy or enlarge their farms.

There are now more opportunities for recreation in rural America than ever before. Almost 1,500 new outdoor recreation centers have been developed just since 1963. Nearly 800 family-sized farmers now supplement their income by operating fishing lakes, golf courses and camping areas. Rural communities -- with the help of $78 million in loans from FHA -- have developed almost 700 recreation centers offering facilities for swimming, ballgames, riding, golf and camping.

In addition to these new-found opportunities for fun, there is the added benefit of new jobs; by 1980 a million new jobs will be created in rural America by recreation alone.

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Construction of rural housing and water and sewer systems have created an estimated 200,000 man-years of on-site employment since 1961. There are 3,500 new business enterprises in rural America and more than 200,000 jobs for rural people as a result of projects established with the help of REA electric and telephone cooperatives.

These programs make rural America a place where the living is better. We must continue to close this gap in living if rural America is to achieve the full measure of its promise. But to do this, there is a second gap that must be closed; this is the gap in income. Already we have come a long way on this score. In 1960, total income of farm families was estimated at only 55 percent of non-farm income. Today, it has risen to 75 percent.

But we must move ahead on a second front. As new technology makes it possible for a family to farm more land, there must be jobs and business opportunities for those who choose to leave farming. And these programs aimed at community development are helping to do just that. Why? Because they mean more jobs. They mean, too, that more rural Americans have the opportunity to supplement farm income with non-farm income. Since 1960, total non-farm income has jumped from $7.1 million to $10.7 million. During this same period, average income from non-farm sources has more than doubled.

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These programs have accounted for a substantial part of this increased earning power for rural Americans. For many, the opportunity to gain added income is the difference between staying and leaving.

Through the Food Stamp and direct food donation programs, as well as the School Lunch and Child Nutrition programs, we are improving the diets of low-income people and of children all over the Nation. Food assistance has been expanded tremendously. Low-income families in all of the Nation's 1,000 lowest-income-per-capita counties are now -- or soon will be -- enjoying better diets through our food assistance programs.

All of this is part of the reconstruction of rural America. The rebuilding job is far from complete. But we are on the way.

Migration from country to city has been sharply reduced. Further evidence of this was documented just a few days ago in a Census Bureau report to President Johnson.

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New jobs in the countryside are growing at double the rate of growth of the 1950's.

Regions that used to be places where people were born to leave, and came back only to die have become good places to live, to work, to bring up a family and enjoy life.

We do not cite these facts, nor this record, in a self-serving exercise. I am citing them to you because in large measure the future of rural America lies in your hands. You rank among its most important leaders. And you must have a clear view of what its needs are, and how these needs are to be met.

The Book of Proverbs contains the stark reminder that, "Where there is no vision the people perish."

Nothing could be more true.

We must have vision -- the vision of a balanced America. We must also have the intelligence and stamina required to translate our vision into reality.

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Our vision cannot come true unless farmers share fully in total national prosperity. It cannot come true unless rural America becomes a wholesome and attractive alternative to the noise and congestion and unhappiness of our large urban centers.

Above all, it cannot come true unless you make it true. Rural America's needs cannot be put and kept in proper perspective without you.

You must work harder and with even more imagination. For in addition to serving the agricultural needs of farmers, today you serve farmers and non-farmers alike as community developers. Yours has been a key role in the work of our Technical Action Panels. And through TAP and Operation Outreach you helped take many of our federal programs to people in the countryside who had never heard of them -- and wouldn't have if it hadn't been for you.

You have been alert to shape farm programs and conservation programs to meet broad community needs.

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For all of this I salute you.

And I ask from you even more.

Only if you respond to this call .. only if our Department provides new and imaginative leadership for this Nation ... only if we have the vision and stamina to do all of this ... only then will we restore rural-urban balance, and in so doing meet the twin threats of discrimination and poverty that threaten the very foundation of the republic.

Let us get on with the job.

March 25 1968

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Statement By
Secretary of Agriculture Orville L. Freeman
At the President's Second Annual Farm Policy
And Rural Life Conference
Monday, March 25, 1968: 9:00 a.m., EST

Welcome on behalf of President Johnson to this second annual Farm Policy and Rural Life Conference.

As I was about to say at the University of Wisconsin last week, before I was interrupted:

"Give me the liberty to know, to utter, and to argue freely, according to conscience, above all liberties."

Good advice from John Milton, and we mean to follow it today.

We in the Department are here not primarily to speak, but rather to listen to your ideas, suggestions, comments and criticism. We need your advice and guidance and we appreciate your giving of your valuable time to help us.

This second annual President's conference was called because President Johnson -- and I -- found the first conference extremely helpful in making the decisions which affected agriculture over the past year.

So useful was the conference that, following its advice, we immediately stepped up our entire consultative process, holding more meetings -- both commodity and 'shirtsleeve' sessions of general interest -- than ever before in the Department's history.

I know this conference will be equally as useful in the year to come.

But in a broader sense, what brings us here is an effort to learn to live with and take advantage of a striking and almost-unique feature of U. S. agriculture, one that sets it apart from the vast majority of agricultural plants in the world, our amazing productivity.

Over the past 20 years -- most of you in the room have witnessed it firsthand -- our agricultural productivity is up a good 50 percent and the labor needed to produce it is down by half.

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This productivity is a great economic bulwark for America and the Free World. But it also keeps the farmer and rancher sitting on a powder keg. The U. S. farmer has the ability to overshoot his markets, year after year. This power is so great that the individual farmer, one in three million, cannot hold the genie in the bottle. No one farmer has a big enough thumb.

Fortunately, we are perfecting the basic machinery to meet both the challenge of supply and the challenge of increasing demand. This machinery is a wide range of programs woven tightly into a coordinated farm and food policy aimed at underpinning and strengthening America's family agriculture.

These programs -- commodity, export, foreign aid, domestic food aid, resource development -- interlock to form a total structure that is greater than the sum of its parts. They operate as a team. Each program has its own function, but they all mesh to enhance the final result.

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Agricultural exports provide a good example. Last year we exported the equivalent of the harvest of 71 million acres. A vitally important factor in holding these exports is our commodity programs that keep us competitive in commercial world trade, and, through certificates and direct payments, supplement domestic farm income.

Another part of the basic package is Food for Freedom, which moves about 4 percent of our production to developing countries, helping them over the worst of their existing food shortages and aiding them to build their economies so that they can eventually become dollar customers for our farm products.

Nothing in this world is static. So we have a dynamic program which enables us to shift production to meet changing circumstances each year and at the same time maintain farm income. Right now, for example, we are expanding cotton and rice production while holding down wheat and feed grain production, all under the same basic legislation. In conjunction with other programs we are able to maintain balanced abundance while adjusting our resources to growing needs for conservation, outdoor recreation, wildlife, and natural beauty.

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Another important tool is concessional food distribution. With Section 32, school lunch, school milk and family feeding programs we will make available over a billion dollars worth of food this year to children and needy people. Thus, we bolster weak prices for overabundant crops and improve the diets of needy people at the same time.

All these programs, working as a team, help to move our agriculture forward on the highway of progress. I am convinced that they provide a solid foundation on which we can build to reach our goals.

But they are neither perfect, nor perfectly operated. We must improve them. We must correlate them more closely with the activities of individual farmers, farm organizations and others, including you in this hall.

I have gone into some detail on these programs because I feel all too often, when we hear "farm programs" we limit our thinking solely to the commodity programs. Important and basic as they are, they form only a portion of the national farm and food machinery we have today.

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Perhaps, if the Food and Agriculture Act of 1965 is the motor, then the other parts of the power train I've mentioned this morning -- Food for Freedom, Section 32, Conservation and rural development -- are the transmission, wheels and chassis. Taken together, with a full load of fuel and skillfully driven, they can get us where we want to go.

This is what I hope you will discuss today -- how can we use this power package more skillfully to meet the parity of income goal every farmer in this Nation needs and so richly deserves? Following this conference last year a number of important changes and innovations were instituted. I hope we get some equally good advice today.

And while we're discussing the 1968 model, I also hope we'll give some thought to the 1969 model -- the improvements in the basic design that President Johnson has asked for in his Agricultural Message: extension of the basic act and Food for Freedom; bargaining power, strategic reserves, and a host of others.

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All of these things, everything from radiator cap to tail pipe, will be sketched in brief by the Under Secretary and Assistant Secretaries John Baker and Mrs. Dorothy Jacobson this morning. This afternoon we'll have an opportunity to examine them in depth in two special sessions, with a late afternoon general summary session at which I plan to be an interested presiding officer.

Thank you for your attention, and now let's turn it over to Under Secretary John Schnittker.

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U. S. Department of Agriculture
Office of the Secretary

Here in the Sooner State the spirit of Will Rogers still lives, although he has been gone from us for more than 30 years.

I have often asked myself why this man made such an impact on all of us. I suspect that it's because Will Rogers continues to recall for us the frontier experience of meeting and enduring hardship, and doing it with grace and wit and, ultimately, success.

Will Rogers still is close to us in Washington. The Congress was his favorite subject and he especially liked to direct his kindly wit toward the House of Representatives.

On one occasion when he was in the Capitol Building, he noticed the statue of the great Cherokee scholar, Sequoya. His guide pointed out that Oklahoma -- like each of the other states -- was entitled to have statues of two of its sons in the hall, but that so far, Oklahoma had placed only one.

Someone then said: "Mr. Rogers, perhaps your statue will be here someday."

Will answered: "Well, if they ever put my statue in here, stand me where I can keep my eye on the House of Representatives."

And later on, that's just what they did. Will Rogers' statue stands today facing the door to the House Chamber. He's keeping his eye on the House of Representatives.

Address by Secretary of Agriculture Orville L. Freeman at the 65th Convention of the National Farmers Union, Oklahoma City, Oklahoma, Tuesday, March 14, 1967, at 8 p.m.

If Will Rogers were alive today, he would be pleased to know that another great Oklahoman, Carl Albert, also is keeping his eye on that Chamber -- as House Majority Leader.

Will Rogers helped us through some dark times in the early 1930's. He was especially concerned about the condition of farmers. If he were around today, he would find a vastly different agriculture -- and a vastly more hopeful future for farmers.

Not everything we might have wished for agriculture has been accomplished, of course. But much has been achieved, and we are still working hard to improve. One of the tremendous forces in these accomplishments has been the National Farmers Union and the succession of great leaders you have been blessed with over the past 65 years.

Sixty-five years young -- but always the forward look, the positive look, the positive action, the dynamic approach. That's been the National Farmers Union for two-thirds of a century. It is for this reason, especially, that I am pleased to have a part in your program once again -- just as I have six times before, and as I did a half dozen times before that at your state conventions in Minnesota.

In six years-- together -- we have worked a change in farm policy and farm programs greater than any since the early New Deal. We have removed the surplus and subsidy label once so firmly pinned to the farmer.

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We have seen a basic shift in the supply-demand balance for the key farm products. We have enjoyed the result -- better income. We turned an important corner this year and pointed our production goals up instead of down for the first time in many years.

Many of these changes have become apparent only in the past 12 months -- since we last met in Denver. But they have been on the horizon since 1961. You had a hand in all of this progress, and it is fitting we discuss it tonight.

But before we consider program directions, I want it on the record, loud and clear, that I am still dissatisfied and unhappy about farm prices and farm income. Farm income is far too low. I won't be satisfied until per capita farm income, now at $1,731, has climbed to non-farm levels, presently at $2,618 per capita.

It is unhealthy to allow such an unfair, uneconomic condition to continue. If we fail to achieve the parity of income that the farmer is entitled to earn, we will lose our best farmers, and this nation and a hungry world will suffer. I pledge to you that I will not quit fighting until we reach our goal -- until parity of income for the adequate-sized American family farm is a reality.

I believe we can reach parity of income. We can even do it in this decade. Please note that I say "can" -- not that we are certain to do so. But I am encouraged, for our progress has been real. As

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Ed Christianson pointed out at the Farm Policy Conference last month, 1966 was a good year for American agriculture. Gross farm income reached $49.5 billion -- an all-time high. Net farm income at $16.3 billion was also the highest in history except for the post-war year of 1947. And net income per farm averaged $5,024 -- up 70 percent over 1960 and the highest in history.

This progress shows what we can do. National Farmers Union had a big hand in it. It would not have been possible without the five major commodity laws enacted with your support since 1960.

The elimination of surpluses and improvement in farm income show that our programs are working. The results built new public confidence in our programs. This new confidence is vital -- for the public, in 1960, was ready to throw all farm programs in the ash can.

If we make as much progress in the final few years of this decade as we have in the past six, we will be close to our parity of income goal.

This year of 1967 marks the dawn of a new era in American agriculture.

The surpluses that all but suffocated us when I come to Washington in 1961 have been eliminated.

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With virtually no government stocks on hand, with resale policies securely insulating the market from the small supplies in CCC hands, the government's role in the market is sharply diminished.

Farmers, operating under largely-voluntary commodity programs, today possess more freedom of choice than they have had since the early Triple-A days of the New Deal.

We have a four year program. In effect, we are operating under this mandate from the Congress: "Instead of changing programs each year, we enacted a four year program. Now that you have the stability you asked for, it's up to you to make it work."

All this means a new ball game for American agriculture.

With agriculture in such an historic period of transition, it is important to analyze carefully where we go from here.

The general public is more aware of the farm and food economy than for many years, both domestically and overseas. There is a greater realization that behind our abundance stands -- not a factory or a machine -- but a man and his family who farm the land, sustain the nation, and ask in return only the chance to share fairly in the nation's prosperity.

In recent weeks, we have tried to bring a maximum of agricultural wisdom to bear on the question of -- "What's Ahead" and "Where Do We Go From Here"?

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That was the purpose of last month's National Farm Policy Conference in Washington, to which National Farmers Union contributed so much.

The Conference concerned itself with choice -- and fortunately, we live in a nation where people _do_ have a choice, one in which popular attitudes and beliefs result in political action and public decision. This is an era in which we all have an opportunity to define alternatives and influence discussion.

Tonight, I would like to spell out what seems to be the broad alternatives available to us in future agricultural policy. There are an infinite variety of opinions on the detailed workings of programs. There are differing judgments on who should administer the programs, and how. But it seems to me that, when we lay out the broad essentials of policy, there are really only three broad alternatives when farm legislation comes up for consideration again in 1969.

The first is a combination of voluntary and mandatory programs to hold supply in line with demand thereby achieving fair prices in the market place.

This is what we have now. We are getting positive and measurable results with this approach. Our income is higher, and we will see still

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further improvement. We have made good progress in balancing supplies with need in grain, cotton, and tobacco. We have boosted farm exports consistently and sharply.

To keep our farm prices competitive in world markets -- so that we can build foreign markets rather than lose them -- and to provide the incentives to keep production in line with demand, Congress provided a system of direct payments to farmers. In effect, farmers rent some of their land to the government, in the national interest, when surpluses threaten. In this way, American farmers can tailor-make their output, meet world competition in terms of market price -- yet continue to move toward parity returns.

With this voluntary approach, farmers have a maximum of choice in their farming decisions, and the market has a maximum role in determining prices. The market is more independent of government pricing now than in more than 30 years and we're able to maintain a small reserve of productive capacity without demoralizing farm markets and farm income.

The primary alternative to present programs is 'no program at all'.

The President of another national farm organization pledged his assistance _to this end_ at the recent Farm Policy Conference. I believe that this alternative is a very real possibility -- especially if we fail to develop unity and understanding among farm people themselves.

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This is an ever present risk -- not just one we face only in 1969. True, we are in only the second year of the four-year authorizations passed in 1965. But the laws are always susceptible to crippling amendments, and they can also be destroyed by withholding appropriations.

But the key date is probably just two years from now, when Congress will decide:

* to continue and improve programs of the type we have now;

* to alter them in basic ways.

* or to get rid of the programs altogether.

Two years is a very short time.

There is no question that the commodity programs will be under severe attack at that time -- and between now and then. Already, many columnists and others have suggested that the Congress abolish the programs "because the surpluses are gone."

They overlook the key fact that supplies are down to manageable size largely because of the programs. They ignore the fact that in a free-for-all farm economy the hungry nations represent no market at all because they lack the money to buy. They ignore the fact that this nation continues to have a capacity to produce substantially more than effective demand. This excess capacity may not be with us forever, but it remains a real threat to farm prosperity for the years immediately ahead.

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With these misunderstandings in mind, I asked Walter Wilcox, the distinguished economist of the Library of Congress, now the Department's Director of Agricultural Economics, for a new study on commodity programs in the years immediately ahead.

He and his associates, after consultations with leading economists at a number of universities, concluded that in the absence of adjustment and price support programs, rising production would drive prices down rapidly. By 1970, corn would fall to around 70 cents a bushel, cotton to 18 or 20 cents a pound. Soybean prices would probably drop to around \$1.90 to \$2.00 a bushel. Wheat would fall to about \$1.00 to \$1.10 per bushel.

Within a year or two, livestock supplies would also overburden the market and prices would fall. Prices would drop most heavily in hogs and poultry, less in dairy, with the effect on beef prices somewhere in between.

By 1970 the decline in the price level for livestock would be almost 10 percent. The overall price level for crops would decline more than 20 percent, but farm production expenses would continue to rise.

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Without programs, net farm income might well fall by one-third, some $5 billion below the 1966 figure of $16.3 billion, or back to about 1957 levels.

In short, farmers would lose all of the income gains of a decade -- and then some! Coupled with this would be the decline in farmers' net worth from dropping land values.

Earlier studies indicated that if commodity programs were abolished, farmers' net income would go down by about 50 percent. The new study predicts roughly a 30 percent decline. The difference between those "potentials for disaster" is in the fact that carryovers have been largely eliminated, and that our exports are establishing new records each year. If programs had been eliminated while those large stocks overhung the market, the magnitude of disaster would have been even worse than it would be now.

But I am sure everyone here agrees that a one-third drop in net income would be more than sufficient to close up the average family farm.

I repeat that this careful study -- prepared with the advice and counsel of nationally recognized economists at nine major universities -- indicates that the commodity programs will be needed if we are to continue our traditional system of family farming and move on toward a parity of income in the years immediately ahead.

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A third alternative is high price supports and mandatory programs.

With this approach, the Government would guarantee high price supports all the way up and down the line -- but with strict controls on bushels, bales, and poundage, rather than an acreage basis. The government could not long maintain a system of rigid high price supports without such controls -- and at the same time avoid surpluses, high costs to the Treasury, and a certain demise for farm programs at the end of the road.

With mandatory programs, the government would be more deeply involved in agriculture and in market and commodity management than it is now.

Mandatory programs might work very well in maintaining farm income and in holding supplies in balance. But in order to sell overseas, we would again require large export subsidies. Even so, the cost to the Treasury of well-designed mandatory programs would be less than the present largely voluntary programs.

However, in order for mandatory, high-support programs to work -- or even to be put into effect -- they would have to have the support of farmers and the Congress, a support heretofore lacking.

In 1962, Congress rejected legislation that would have provided mandatory programs for feed grains. And in the 1963 referendum, wheat growers sharply rejected the mandatory wheat certificate program that

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Congress had passed. There is no reason to believe the Congress is more receptive now than it was then.

To sum up, then, these are the choices open to us:

* A continuation of voluntary programs with price supports at realistic levels near the world market and direct payments to farmers who cooperate by taking land out of production when oversupply threatens,

* A termination of commodity programs, or

* Mandatory programs with strict Government controls on marketings.

We have to make a choice by 1969, and may be forced to fight for our choice at any time.

We are making progress in the course we are on. At the same time, the Secretary of Agriculture and many farmers are worried about the future. Sincere and searching questions are being raised.

Should we continue to perfect and improve upon what we have? Can we continue to improve farm income with current voluntary programs? Why have farm prices dropped each month for the last six months until today they are 9 percent below where they were 20 years ago? Can we overcome the cost-price squeeze? Should we instead move toward higher price support levels -- recognizing that this would involve mandatory programs with a good deal of government control? Will farmers support tight controls?

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Or should we be prepared to accept a termination of the programs and go it alone in the free market?

Whatever course we follow in the future, the fact is that in 1967 we have a law to administer and programs to carry out. All of us, whether we like the programs or not, have a duty to carry them forward as well as we can -- to seek ways of making them more effective in meeting their objectives.

Our mutual opportunity is to make these programs work to strengthen farm income. There are things the Farmers Union can do. There are things the USDA can do. There are things we can do together.

I have been deeply concerned with the decline of farm prices in recent months. The Department of Agriculture has taken these actions, among others, to continue our progress in improving farm income:

* Price support rates on feed grains were increased by 5 percent for 1967. The upward adjustment in farm yields will have the effect of making price support payments 4 percent higher than without the yield adjustment.

* Last year's increases in dairy support price from $3.24 to $4.00 have been continued through March 1968. Farmers will receive more for manufacturing milk in 1967 than they did in 1966 because of the higher support price. Government purchases of dairy products in recent months have been above a year earlier. Butter is back in the School Lunch Program.

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We are preparing to take action to deal with the recent sharp increase in dairy imports.

* CCC sales prices for grain are now at least 15 percent above support levels, and sales are virtually suspended since stocks are low.

* The Department has acted within recent weeks to make soybeans from the 1966 crop eligible for reseal, and to raise the minimum at which CCC will sell any soybeans it acquires. Price support on soybeans is now at $2.50, compared with $1.80 in 1960.

* We look forward to a second successful year under the new cotton program. Farmer income under the 1966 program was about 25 percent above what it would have been had the 1965 program remained in effect. Meanwhile, surpluses are being cut by 5 million bales in one year. The future for cotton farmers is much brighter than it has been for a long time. We are, of course, concerned about the recent increase in textile imports. That question is getting a great deal of attention.

* The Department is stepping up purchases of meat this spring, following a pattern which was so effective in 1964, when cattle prices were low. We are reactivating the purchase program for Choice beef roasts and ground beef to buy ahead for future use. We are extending purchases of canned chopped

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meat -- which normally would have come to an end last month -- for the same reasons. Since March 1, we have bought 7.2 million pounds of chopped meat for $3.1 million -- with new offers being received this week.

* For rice growers, the Department again announced a temporary increase of 10 percent in the national rice acreage allotment in 1967.

Wheat prices are off from the speculative high of last summer and fall. But wheat prices still are running well above last year and far above the 1966 loan rate. Cash receipts for the 1966-67 (July 1) marketing year are expected to be the highest in 20 years.

Returns per bushel of 1966 crop wheat will average about $2.13 -- that's market price plus certificate payments on 500 million bushels. Wheat farmers in Canada received an average (in U.S. dollars) of about $1.60 last year and will get just a little more this year through higher world market prices.

USDA will continue to seize every opportunity to improve farm prices. Operating as we are in a reasonably-balanced market, we are geared up to use of Section 32 purchases, P.L. 480 purchases, and various marketing helps as effectively as possible to strengthen prices.

We will continue to move aggressively in building farm exports, which in this marketing year will set a new record for the third straight year -- around $7.1 billion. At least $5.5 billion of that will be for

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dollars. This is a new record as well, and one which is all-too-often overlooked when we're discussing farm income and what the Department is doing to improve it.

A decade ago, domestic farm policy was largely out of tune with exports -- and our exports showed it. One of the important changes since 1960 has been to design and administer wheat, feed grain, and cotton programs to encourage a maximum flow into world trade.

We are pursuing overseas markets through unprecedented development efforts involving both Government and private enterprise. We are negotiating vigorously to get access to markets closed to us by tariffs and trade restrictions.

During the past fiscal year we exported the produce of one acre out of every four harvested ... over 60 percent of our wheat ... the equivalent of 47 percent of our cash receipts from the feed grains ... 42 percent of our soybean and bean-equivalent-of-oil, 20 percent of our cotton. We now have some 37 percent of the world wheat trade ... almost half the world feed grain trade and over 90 percent of the world soybean trade.

None of this happened in a vacuum. Without it ... without this giant, $7 billion market that American farmers have tapped, farm income would suffer severely. So let's not overlook it, and let's take a cold, hard, look at any domestic farm proposals which would have the effect of crippling our race for this market.

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Expansion of this export market, along with the domestic price support, adjustment, and purchase programs, is a basic Administration effort on behalf of American farmers.

These are some of the things USDA and this Administration are doing to bolster farm income. In the few minutes remaining, permit me to turn this around a little and ask <u>you</u> what <u>you</u> are doing to insure the best possible results from the program the Farmers Union fought so hard to enact.

I urge the National Farmers Union and other farm organizations to ask themselves whether they can do more to help farmers, and to help farmers help themselves.

I urge you to ask yourself the question: "How can the National Farmers Union -- and your state organizations -- do more to advise your members on marketing?"

Can you do more to interest farmers in their cooperatives and to help those co-ops build greater bargaining power? Farmers need it, and never before has this idea been so well accepted by the general public as it is today. Certainly the Department of Agriculture is supporting the co-op concept vigorously through strengthening the Farmer Cooperative Service.

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But the important question is whether farmers themselves are willing and able to make strong use of cooperatives. Government can help. The leadership of the National Farmers Union can help. But no one can grant cooperative bargaining power to farmers. They must win it.

The first question for your cooperatives to ask themselves and their members is this: What do you really want, and how strongly do you want it? Do you really want bargaining power -- and are you willing to go all the way in doing what it takes to get it? For example, are you ready to own your own packing plant, your own canning operation, your own marketing facility -- if that's what it takes to obtain bargaining power capable of standing up to the major companies with whom you deal?

Have your cooperatives gone far enough in examining the marketing system for each of their products -- so that they really know where the power is? Who and what determine prices? Where are the margins -- and how much are they? These are key questions.

Are your cooperatives geared up for the agriculture of the 1970's? Are they up to the task in the years ahead? How about taking a hard look at the old bargaining techniques and asking ourselves if these are adequate for the future? Many farmers may feel they can accomplish more by owning their own packing and processing plants, merchandising facilities, and their own brand names. If so -- the choice is theirs.

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Farmers have power -- if they act together. What can be done to awaken your members and their neighbors to the effectiveness of joint action? Half measures won't do. Casual attitudes won't do. If farmers are to win for themselves real bargaining power in relation to meat packers, food chains, and processing companies they must be willing to move aggressively and in unison.

The National Commission on Food Marketing pointed out that: "Farmers do not yet fully appreciate the importance of cooperative action in marketing their products." We must make sure they do.

The times call for boldness in planning. They call for new ideas. They call for aggressive action to get every co-op member to take an active role in the business of his organization. Members must be prepared to accept a higher degree of self-discipline in marketing in order to put greater bargaining strength in the hands of their co-ops.

The truth is that we are in a new era in American agriculture. The challenge is clear. Now that we have the tools to prevent surpluses, can we reach parity of income for the farmer in a market economy supplemented by payment programs? It is still too early to answer that question. We have made progress. But we are worried about recent price drops. We are all inclined to be a bit nervous and jumpy. After all, farmers have not had much recent experience in a market relieved of the pressure of surpluses.

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No one can be sure what will happen. We all have a lot to learn. What we all need to do is to combine new-fashioned ideas with a little old-fashioned missionary zeal -- a little "Farmers Union spirit."

The National Farmers Union has this zeal in abundant quantities. On the national scene, your organization has been a prime mover in getting the kind of agricultural programs that farmers need to succeed. Within your own organization this zeal has built a giant potash development on the plains of Carlsbad. Your members form the solid core of a score of giant supply and marketing cooperatives.

You have the organization, the spirit, the leadership and the membership to make our programs work, and to improve upon them in the future. That is our challenge, that is our goal. I know we can do it.

Thank you.

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A Short History of Price Support and Adjustment Legislation and Programs for Agriculture, 1933-65

By Wayne D. Rasmussen and Gladys L. Baker

MANY PROGRAMS of the U.S. Department of Agriculture, particularly those concerned with supporting the prices of farm products and encouraging farmers to adjust production to demand, are the result of a series of interrelated laws passed by the Congress from 1933 to 1965. This review attempts to provide an overall view of this legislation and programs, showing how Congress has modified the legislation to meet changing economic situations, and giving a historical background on program development. It should serve as background for economists and others concerned with analyzing present farm programs.

The unprecedented economic crisis which paralyzed the Nation by 1933 struck first and hardest at the farm sector of the economy. Realized net income of farm operators in 1932 was less than one-third of what it had been in 1929. Farm prices fell more than 50 percent, while prices of goods and services farmers had to buy declined 32 percent. The relative decline in the farmers' position had begun in the summer of 1920. Thus, farmers were caught in a serious squeeze between the prices they received and the prices they had to pay.

Farm journals and farm organizations had, since the 1920's, been advising farmers to control production on a voluntary basis. Attempts were made in some areas to organize crop withholding movements on the theory that speculative manipulation was the cause of price declines. When these attempts proved unsuccessful, farmers turned to the more formal organization of cooperative marketing associations as a remedy. The Agricultural Marketing Act of 1929, establishing the Federal Farm Board, had been enacted on the theory that cooperative marketing organizations aided by the Federal Government could provide a solution to the problem of low farm prices. To supplement this method the Board was also given authority to make loans to stabilization corporations for the purpose of controlling any surplus through purchase operations. By June 30, 1932, the Federal Farm Board stated that its efforts to stem the disastrous decline in farm prices had failed. In a special report to Congress in December 1932, the Board recommended legislation which would "provide an effective system for regulating acreage or quantities sold, or both." The Board's recommendation on control of acreage or marketing was a step toward the development of a production control program.

Following the election of President Franklin D. Roosevelt, who had committed himself to direct Government action to solve the farm crisis, control of agricultural production became the primary tool for raising the prices and incomes of farm people.

The Agricultural Adjustment Act of 1933

The Agricultural Adjustment Act was approved on May 12, 1933. Its goal of restoring farm purchasing power of agricultural commodities to the prewar 1909-14 level was to be accomplished through the use, by the Secretary of Agriculture, of a number of methods. These included the authorization (1) to secure voluntary reduction of the acreage in basic crops through agreements with producers and use of direct payments for participation in acreage control programs; (2) to regulate marketing through voluntary agreements with processors, associations of producers, and other handlers of agricultural commodities or products; (3) to license processors, associations of producers, and others handling agricultural commodities to eliminate unfair practices or charges; (4) to

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determine the necessity for and the rate of processing taxes; and (5) to use the proceeds of taxes and appropriate funds for the cost of adjustment operations, for the expansion of markets, and for the removal of agricultural surpluses. Congress declared its intent, at the same time, to protect the consumers' interest. Wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products were designated as basic commodities in the original legislation. Subsequent amendments in 1934 and 1935 expanded the list of basic commodities to include the following: rye, flax, barley, grain sorghums, cattle, peanuts, sugar beets, sugarcane, and potatoes. However, acreage allotment programs were only in operation for cotton, field corn, peanuts, rice, sugar, tobacco, and wheat.

The acreage reduction programs, with their goal of raising farm prices toward parity (the relationship between farm prices and costs which prevailed in 1909-14), could not become effective until the 1933 crops were ready for market. As an emergency measure during 1933, programs for plowing under portions of planted cotton and tobacco were undertaken. The serious financial condition of cotton and corn-hog producers led to demands in the fall of 1933 for price fixing at or near parity levels. The Government responded with nonrecourse loans for cotton and corn. The loans were initiated as temporary measures to give farmers in advance some of the benefits to be derived from controlled production and to stimulate farm purchasing power as a part of the overall recovery program. The level of the first cotton loan, in 1933, at 10 cents a pound, was at approximately 69 percent of parity. The level of the first corn loan, at 45 cents per bushel, was at approximately 60 percent of parity. The loans were made possible by the establishment of the Commodity Credit Corporation on October 17, 1933, by Executive Order 6340. The funds were secured from an allocation authorized by the National Industrial Recovery Act and the Fourth Deficiency Appropriation Act.

The Bankhead Cotton Control Act of April 21, 1934, and the Kerr Tobacco Control Act of June 28, 1934, introduced a system of marketing quotas by allotting to producers quotas of tax-exemption certificates and tax-payment warrants which could be used to pay sales taxes imposed by these acts. This was equivalent to allotting producers the quantities they could market without being taxed. These laws were designed to prevent growers who did not participate in the acreage reduction program from sharing in its financial benefits. These measures introduced the mandatory use of referendums by requiring that two-thirds of the producers of cotton, or growers controlling three-fourths of the acreage of tobacco, had to vote for a continuation of each program if it was to be in effect after the first year of operation.

Surplus disposal programs of the Department of Agriculture were initiated as an emergency supplement to the crop control programs. The Federal Surplus Relief Corporation, later named the Federal Surplus Commodities Corporation, was established on October 4, 1933, as an operating agency for carrying out cooperative food purchase and distribution projects of the Department and the Federal Emergency Relief Administration. Processing tax funds were used to process heavy pigs and sows slaughtered during the emergency purchase program, which was part of the corn-hog reduction campaign begun during November 1933. The pork products were distributed to unemployed families. During 1934 and early 1935, meat from animals purchased with special drought funds was also turned over for relief distribution. Other food products purchased for surplus removal and distribution in relief channels included butter, cheese, and flour. Section 32 of the amendments of August 24, 1935, to the Agricultural Adjustment Act set aside 30 percent of the customs receipts for the removal of surplus farm products.

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

On August 24, 1935, amendments to the Agricultural Adjustment Act authorized the substitution of orders issued by the Secretary of Agriculture, with or without marketing agreements, for agreements and licenses.

The agricultural adjustment program was brought to an abrupt halt on January 6, 1936, by the Hoosac Mills decision of the Supreme Court, which invalidated the production control provisions of the Agricultural Adjustment Act of May 12, 1933.

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

The Soil Conservation and Domestic Allotment Act of 1936

The Supreme Court's ruling against the production control provisions of the Agricultural Adjustment Act presented the Congress and the Department with the problem of finding a new approach before the spring planting season. Department officials and spokesmen for farmers recommended to Congress that farmers be paid for voluntarily shifting acreage from soil-depleting surplus crops into soil-conserving legumes and grasses. The Soil Conservation and Domestic Allotment Act was approved on February 29, 1936. This Act combined the objective of promoting soil conservation and profitable use of agricultural resources with that of reestablishing and maintaining farm income at fair levels. The goal of income parity, as distinguished from price parity, was introduced into legislation for the first time. It was defined as the ratio of purchasing power of the net income per person on farms to that of the income per person not on farms which prevailed during August 1909-July 1914.

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

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

Agricultural Adjustment Act of 1938

Department officials and spokesmen for farm organizations began working on plans for new legislation to supplement the Soil Conservation and Domestic Allotment Act. The Agricultural Adjustment Act of 1938, approved February 6, 1938, combined the conservation program of the 1936 legislation with new features designed to meet drought emergencies as well as price and income crises resulting from surplus production. Marketing control was substituted for direct production control, and authority was based on Congressional power to regulate interstate and foreign commerce. The new features of the legislation included mandatory nonrecourse loans for cooperating producers of corn, wheat, and cotton under certain supply and price conditions--if marketing quotas had not been rejected--and loans at the option of the Secretary of Agriculture for producers of other commodities; marketing quotas to be proclaimed for corn, cotton, rice, tobacco, and wheat when supplies reached certain levels; referendums to determine whether the marketing quotas proclaimed by the Secretary should be put into effect; crop insurance for wheat; and parity payments, if funds were appropriated, to producers of corn, cotton, rice, tobacco, and wheat in amounts which would provide a return as nearly equal to parity as the available funds would permit. These payments were to supplement and not replace other payments. In addition to payments authorized under the continued Soil Conservation and Domestic Allotment Act for farmers in all areas, special payments were made in 10 States to farmers who cooperated in a program to retire land unsuited to cultivation as part of a restoration land program initiated in 1938. The attainment, insofar as practicable, of parity prices and parity income was stated as a goal of the legislation. Another goal was the protection of consumers by the maintenance of adequate reserves of food and fiber. Systematic storage of supplies made possible by nonrecourse loans was the basis for the Department's Ever-Normal Granary plan.

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

The agricultural adjustment program became fully operative in the 1939-40 marketing year, when crop allotments were available to all farmers before planting time. Commodity loans were available in time for most producers to take advantage of them.

On cotton and wheat loans, the Secretary had discretion in determining the rate at a level between 52 and 75 percent of parity. A loan program was mandatory for these crops if prices fell below 52 percent of parity at the end of the crop year, or if production was in excess of a normal year's domestic consumption and exports. A more complex formula regulated corn loans with the rate graduated in relation to the expected supply, and with 75 percent of parity loans available when production was at or below normal as defined in the Act. Loans for commodities other than corn, cotton, and wheat were authorized, but their use was left to the Secretary's discretion.

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

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

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

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

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

High farm production after 1937, at a time when nonfarm income remained below 1937 levels, resulted in a decline in farm prices of approximately 20 percent from 1938 through 1940. The nonrecourse loans and payments helped to prevent a more drastic decline in farm income. Direct Government payments

reached their highest levels in 1939 when they were 35 percent of net cash income received from sales of crops and livestock. They were 30 percent in 1940, but fell to 13 percent in 1941 when farm prices and incomes began their ascent in response to the war economy.

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

Wartime Measures

The large stocks of wheat, cotton, and corn resulting from price-supporting loans, which had caused criticism of the Ever-Normal Granary, became a military reserve of crucial importance after the United States entered World War II. Concern over the need to reduce the buildup of Government stocks--a task complicated by legislative barriers such as the minimum national allotment of 55 million acres for wheat, the restrictions on sale of stocks of the Commodity Credit Corporation, and the legislative definition of farm marketing quotas as the actual production or normal production on allotted acreage--changed during the war and postwar period to concern about attainment of production to meet war and postwar needs.

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

Congress decided that legislation was needed to insure that farmers shared in the profits which defense contracts were bringing to the American economy and as an incentive to wartime production. It passed legislation, approved on May 26, 1941, to raise the loan rates of cotton, corn, wheat, rice, and tobacco, for which producers had not disapproved marketing quotas, up to 85 percent of parity. The loan rates were available on the 1941 crop and were later extended to subsequent crops of cotton, corn, wheat, peanuts, rice, and tobacco.

Legislation raising the loan rates for basic commodities was followed by the "Steagall Amendment" on July 1, 1941. This Amendment directed the Secretary to support at not less than 85 percent of parity the prices of those nonbasic commodities for which he found it necessary to ask for an increase in production.

The rate of support was raised to not less than 90 percent of parity for corn, cotton, peanuts, rice, tobacco, and wheat, and for the Steagall nonbasic commodities, by a law approved on October 2, 1942. However, the rate of 85 percent of parity could be used for any commodity if the President should determine the lower rate was required to prevent an increase in the cost of feed for livestock and poultry and in the interest of national defense. This determination was made for wheat, corn, and rice. Since the price of rice was above the price support level, loans were not made.

The legislation of October 2, 1942, raised the price support level to 90 percent of parity for the nonbasic commodities for which an increase in production was requested. The following were entitled to 90 percent of parity by the Steagall Amendment: manufacturing milk, butterfat, chickens, eggs, turkeys, hogs, dry peas, dry beans, soybeans for oil, flaxseed for oil, peanuts for oil, American Egyptian cotton, Irish potatoes, and sweetpotatoes.

The price support rate for cotton was raised to 92 1/2 percent of parity and that for corn, rice, and wheat was set at 90 percent of parity by a law approved on June 30, 1944. Since the price of rice was far above the support level for rice, loan rates were not announced. The Surplus Property Act of October 3, 1944 raised the price support rate for cotton to 95 percent of parity with respect to crops harvested after December 31, 1943 and those planted in 1944. Cotton was purchased by the Commodity Credit

Corporation at the rate of 100 percent of parity during 1944 and 1945.

In addition to price support incentives for the production of crops needed for lend-lease and for military use, the Department gradually relaxed penalties for exceeding acreage allotments, provided the excess acreage was planted to war crops. In some areas during 1943, deductions were made in adjustment payments for failure to plant at least 90 percent of special war crop goals. Marketing quotas were retained throughout the war period on burley and flue-cured tobacco to encourage production of crops needed for the war. Marketing quotas were retained on wheat until February 1943. With the discontinuance of marketing quotas, farmers in spring wheat areas were urged to increase wheat plantings whenever the increase would not interfere with more vital war crops. Quotas were retained on cotton until July 10, 1943, and on fire-cured and dark air-cured tobacco until August 14, 1943. With controls removed, the adjustment machinery was used to secure increased production for war requirements and for postwar needs of people abroad who had suffered war's destruction.

Postwar Price Supports

With wartime price supports scheduled to expire on December 31, 1948, price support levels for basic commodities would drop back to a range of 52 to 75 percent of parity as provided in the Agricultural Adjustment Act of 1938, with only discretionary support for nonbasic commodities. Congress decided that new legislation was needed, and the Agricultural Act of 1948, which also contained amendments to the Agricultural Adjustment Act of 1938, was approved on July 3, 1948. The Act provided mandatory price support at 90 percent of parity for the 1949 crops of wheat, corn, rice, peanuts marketed as nuts, cotton, and tobacco marketed before June 30, 1950, if producers had not disapproved marketing quotas. Mandatory price support at 90 percent of parity or comparable price was also provided for Irish potatoes harvested before January 1, 1949; hogs; chickens over 3 1/2 pounds live weight; eggs; and milk and its products through December 31, 1949. Price support was provided for edible dry beans, edible dry peas, turkeys, soybeans for oil, flaxseed for oil, peanuts for oil, American Egyptian cotton, and sweetpotatoes through December 31, 1949, at not less than 60 percent of parity or comparable price nor higher than the level at which the commodity was supported in 1948. The Act authorized the Secretary of Agriculture to require compliance with production goals and marketing regulations as a condition of eligibility for price support to producers of all nonbasic commodities marketed in 1949. Price support for wool marketed before June 30, 1950, was authorized at the 1946 price support level, an average price to farmers of 42.3 cents per pound. Price support was authorized for other commodities through December 31, 1949, at a fair relationship with other commodities receiving support, if funds were available.

The parity formula was revised to make the pattern of relationships among parity prices dependent upon the pattern of relationships of the market prices of such commodities during the most recent moving 10-year period. This revision was made to adjust for changes in productivity and other factors which had occurred since the base period 1909-14.

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

The 1949 Act set support prices for basic commodities at 90 percent of parity for 1950 and between 80 percent and 90 percent for 1951 crops, if producers had not disapproved marketing quotas or (except for tobacco) if acreage allotments or marketing quotas were in effect. For tobacco, price support was to continue after 1950 at 90 percent of parity if marketing quotas were in effect. For the 1952 and succeeding crops cooperating producers of basic commodities--if they had not disapproved marketing quotas--were to receive support prices at levels varying from 75 to 90 percent of parity, depending upon the supply.

Price support for wool, mohair, tung nuts, honey, and Irish potatoes was mandatory at levels ranging from 60 to 90 percent of parity. Whole milk and butterfat and their products were to be supported at the level between 75 and 90 percent of parity which would assure an adequate supply. Wool was to be supported at such level between 60 and 90 percent of parity as was necessary to encourage an annual production of 360 million pounds of shorn wool.

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

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

The Act amended the modernized parity formula of the Agricultural Act of 1948 to add wages paid hired farm labor to the parity index and to include wartime payments made to producers in the prices of commodities and in the index of prices received. For basic commodities, the effective parity price through 1954 was to be the "old" or the "modernized," whichever was higher. For many nonbasic commodities, the modernized parity price became effective in 1950. However, parity prices for individual commodities under the modernized formula, provided in the Act of 1948, were not to drop more than 5 percent a year from what they would have been under the old formula.

The Act provided for loans to cooperatives for the construction of storage facilities and for certain changes with respect to acreage allotment and marketing quota provisions, and directed that Section 32 funds be used principally for perishable, nonbasic commodities. The Act added some new provisions on the sale of commodities held by the Commodity Credit Corporation. Prices were to be supported by loans, purchases, or other operations.

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

The Korean War

The flexible price support provisions of the Agricultural Act of 1949 were used for only one basic commodity during 1951. Secretary Charles F. Brannan used the national security provision of the Act to keep price support levels at 90 percent of parity for all of the basic commodities except peanuts. The price support rate for peanuts was raised to 90 percent for 1952. The outbreak of the Korean War on June 25, 1950, made it necessary for the Department to adjust its programs to secure the production of sufficient food and fiber to meet any eventuality. Neither acreage allotments nor marketing quotas were in effect for the 1951 and 1952 crops of wheat, rice, corn, or cotton. Allotments and quotas were in effect for peanuts and most types of tobacco.

Prices of oats, barley, rye, and grain sorghums were supported at 75 percent of parity in 1951 and 80 percent in 1952. Naval stores, soybeans, cottonseed, and wool were supported both years at 90 percent, while butterfat was increased to 90 percent for the marketing year beginning April 1, 1951. Price support for potatoes was discontinued in 1951 in accordance with a law of March 31, 1950, which prohibited price support on the 1951 and subsequent crops unless marketing quotas were in effect. Congress never authorized the use of marketing quotas for potatoes.

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

The period for mandatory price support at 90 percent of parity for basic commodities was again extended by legislation approved on July 17, 1952. It covered the 1953 and 1954 crops of basic commodities if the producers had not disapproved marketing quotas. This legislation also extended through 1955 the requirement that the effective parity price for the basic commodities should be the parity price computed under the new or the old formula, whichever was higher. Extra long staple cotton was made a basic commodity for price support purposes.

Levels of Price Support--Fixed or Flexible

The end of the Korean War in 1953 necessitated changes in price support, production control, and related programs. For the next 8 years, controversy over levels of support--high, fixed levels versus a flexible scale--dominated the scene.

Secretary of Agriculture Ezra Taft Benson proclaimed marketing quotas for the 1954 crops of wheat and cotton on June 1, 1953, and October 9, 1953, respectively. The major types of tobacco and peanuts continued under marketing quotas. However, quotas were not imposed on corn. The Secretary announced on February 27, 1953, that dairy prices would be supported at 90 percent of parity for another year beginning April 1, 1953. Supports were continued at 90 percent of parity for basic crops during 1953 and 1954, in accordance with the legislation of July 17, 1952.

The Agricultural Trade Development and Assistance Act, better known as Public Law 480, was approved July 10, 1954. This Act, which served as the basic authority for sale of surplus agricultural commodities for foreign currency, proved to be of major importance in disposing of farm products abroad.

The Agricultural Act of 1954, approved August 28, 1954, established price supports for the basic commodities on a flexible basis, ranging from 82.5 percent of parity to 90 percent for 1955 and from 75 percent to 90 percent thereafter; an exception was tobacco, which was to be supported at 90 percent of parity when marketing quotas were in effect. The transition to flexible supports was to be eased by "set asides" of basic commodities. Not more than specified maximum nor less than specified minimum quantities of these commodities were to be excluded from the "carryover" for the purpose of computing the level of support. Special provisions were added for various commodities. One of the most interesting, under the National Wool Act, required that the price of wool be supported at a level between 60 and 110 percent of parity, with payments to producers authorized as a method of support. This method of support has continued in effect.

The Soil Bank

The Soil Bank, established by the Agricultural Act of 1956, was a large-scale effort, similar in some respects to programs of the 1930's, to bring about adjustments between supply and demand for agricultural products by taking farmland out of production. The program was divided into two parts--an acreage reserve and a conservation reserve. The specific objective of the acreage reserve was to reduce the amount of land planted to allotment crops--wheat, cotton, corn, tobacco, peanuts, and rice. Under its terms, farmers cut land planted to these crops below established allotments, or, in the case of corn, their base acreage, and received payments for the diversion of such acreage to conserving uses. In 1957, 21.4 million acres were in the acreage reserve. The last year of the program was 1958.

All farmers were eligible to participate in the conservation reserve by designating certain crop land for the reserve and putting it to conservation use. A major objection to this plan in some areas was that communities were disrupted when many farmers placed their entire farms in the conservation reserve. On July 15, 1960, 28.6 million acres were under contract in this reserve.

The Agricultural Act of August 28, 1958, made innovations in the cotton and corn support programs. It also provided for continuation of supports for rice, without requiring the exact level of support to be based on supply. Price support for most feed grains became mandatory.

For 1959 and 1960, each cotton farmer was to choose between (a) a regular acreage allotment and price support, or (b) an increase of up to 40 percent in allotment with price support 15 points lower than the percentage of parity set under (a). After 1960, cotton was to be under regular allotments, supported between 70 and 90 percent of parity in 1961 and between 65 and 90 percent after 1961.

Corn farmers, in a referendum to be held not later than December 15, 1958, were given the option of voting either to discontinue acreage allotments for the 1959 and subsequent crops and to receive supports at 90 percent of the average farm price for the preceding 3 years but not less than 65 percent of parity, or to keep acreage allotments with supports between 75 and 90 percent of parity. The first proposal was adopted for an indefinite period in a referendum held November 25, 1958.

Farm Programs in the 1960's

President John F. Kennedy's first executive order after his inauguration on January 20, 1961, directed Secretary of Agriculture Orville L. Freeman to expand the program of food distribution to needy persons. This was done immediately. A pilot food stamp plan was also started. In addition, steps were taken to expand the school lunch program and to make better use of American agricultural abundance abroad.

The new Administration's first law dealing with agriculture, the Feed Grain Act, was approved March 22, 1961. It provided that the 1961 crop of corn should be supported at not less than 65 percent of parity (the actual rate was 74 percent), and established a special program for diverting corn and grain sorghum acreage to soil-conserving crops or practices. Producers were eligible for price supports only after retiring at least 20 percent of the average acreage devoted to the two crops in 1959 and 1960.

The Agricultural Act of 1961 was approved August 8, 1961. Specific programs were established for the 1962 crops of wheat and feed grains, aimed at diverting acreage from these crops. The Act authorized marketing orders for peanuts, turkeys, cherries and cranberries for canning or freezing, and apples produced in specified States. The National Wool Act of 1954 was extended for 4 years, and Public Law 480 was extended through December 31, 1964.

The Food and Agriculture Act of 1962, signed September 27, 1962, continued the feed grain program for 1963. It provided that price supports would be set by the Secretary between 65 and 90 percent of parity for corn and related prices for other feeds. Producers were required to participate in the acreage diversion as a condition of eligibility for price support.

The Act of 1962 provided supports for the 1963 wheat crop at $1.82 a bushel (83 percent of parity) for farmers complying with existing wheat acreage allotments, and offered additional payments to farmers retiring land from wheat production.

Under the new law beginning in 1964, the 55-million-acre minimum national allotment of wheat acreage was permanently abolished, and the Secretary could set allotments as low as necessary to limit production to the amount needed. Farmers were to decide between two systems of price supports. The first system provided for the payment of penalties by farmers overplanting acreage allotments and provided for issuance of marketing certificates based on the quantity of wheat estimated to be used for domestic human consumption and a portion of the number of bushels estimated for export. The amount of wheat on which farmers received certificates would be supported between 65 and 90 percent of parity; the remaining production would be set at a figure based upon its value as feed. The 15-acre exemption was also to be cut. The second system imposed no penalties for overplanting, but provided that wheat grown by planters complying with allotments would be supported at only 50 percent of parity.

The first alternative was defeated in a referendum held on May 21, 1963, but a law passed early in 1964 kept the second alternative from becoming effective.

On May 20, 1963, another feed grain bill permitted continuation in 1964-65, with modifications, of previous legislation. It provided supports for corn for both years at 65 to 90 percent of parity, and authorized the Secretary to require additional acreage diversion.

The most important farm legislation in 1964 was the Cotton-Wheat Act, approved April 11, 1964. The Secretary of Agriculture was authorized to make 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. Each cotton farm was to have a regular and a domestic cotton allotment for 1964 and 1965. A farmer complying with his regular allotment was to have his crop supported at 30 cents a pound (about 73.6 percent of parity). A farmer complying with his domestic allotment would receive a support price up to 15 percent higher (the actual figure in 1964 was 33.5 cents a pound).

The Cotton-Wheat Act of 1964 set up a voluntary wheat-marketing certificate program for

224-209 O - 66 - 2

1964 and 1965, under which farmers who complied with acreage 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 61 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 differences 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.

The carryover of all wheat on July 1, 1965, totaled 819 million bushels, compared with 901 million bushels in 1964 and 1.3 billion bushels in 1960.

The Food and Agriculture Act of 1965

Programs established by the Food and Agriculture Act of 1965, approved November 3, 1965, are to be in effect from 1966 through 1969. After approval of the plan in referendum, each dairy producer in a milk marketing area is 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 are extended through 1969.

The market price of cotton is to be supported at 90 percent of estimated world price levels, thus making payments to mills and export subsidies unnecessary. Incomes of cotton farmers are 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 is to be voluntary (although price support eligibility generally depends 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 is extended through 1969 with only limited changes. The rice program is to be continued, but an acreage diversion program similar to wheat is to be effective whenever the national acreage allotment for rice is reduced below the 1965 figure.

The Act established a cropland adjustment program. The Secretary is authorized to enter into 5- to 10-year contracts with farmers calling for conversion of cropland into practices or uses which will 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 are 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 next 4 fiscal years may not obligate more than $225 million per calendar year.

The Food and Agriculture Act of 1965, which offers farmers a base for planning for the next 4 years, continues many of the features which have characterized farm legislation since 1933. For a third of a century, price support and adjustment programs have had an important impact upon the farm and national economy. Consumers have consistently had a reliable supply of farm products, but the proportion of consumers' income spent for these products has declined. The legislation and resulting programs have been modified to meet varying conditions of depression, war, and prosperity, and have sought to give farmers, in general, economic equality with other segments of the economy.