POLICIES AND PROGRAMS

AFFECTING THE

Oklahoma Wheat Economy 1920-1957

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Policies and Programs Affecting the
Oklahoma Wheat Economy, 1920-1957

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Both wheat producers and wheat consumers are affected by government policies and programs. The results of government actions may be seen in part in the form of acreage allotments, marketing quotas, support prices, and controls and subsidies of various forms. The significance of these results to all wheat producers and consumers becomes apparent when the size of the wheat economy in this country is recognized. The average wheat production in the United States during the past 15 years has been slightly over a billion bushels per year. Oklahoma's production during the same period has averaged nearly 70 million bushels per year.

This bulletin presents the major legislative proposals and enactments affecting the wheat industry. It is designed to assist individuals and organizations in securing an understanding of federal policy affecting the entire wheat industry from producer to consumer, and in considering what policy changes can be made to bring more effective results in the future.

This is the first of two publications relating to government wheat policy. In this publication, emphasis is on actual policies and programs; the second publication will discuss changes which have taken place in the Oklahoma wheat industry, and problems which are associated with these changes.

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Legislative Proposals and Program Developments of the 1920's

World War I marked a significant turning point in American agricultural development and in public policy affecting agriculture. The export demand for wheat forced prices to record heights and produced a corresponding expansion of output. After 1920, however, wheat growers were confronted with an inflated capacity to produce, the loss of foreign markets, and increased costs resulting from a preceding period of monetary inflation and speculation in farm lands. Farm prices fell sharply. Coupled with these factors was a disadvantageous ratio between the prices of farm and industrial products.

McNary-Haugen Proposals

A number of legislative proposals for raising farm prices were put forward during the early 1920's. The most publicized of these was the McNary-Haugen plan which proposed a two-price system for specified agricultural products, a tariff-protected price for the home market, and a world price for the foreign market.[1] An agricultural export corporation was to be established and empowered to buy and sell specified agricultural commodities on a scale great enough to raise the domestic price up to a "fair" level which was referred to as the "ratio-price."[2] Whenever the domestic price of a basic farm commodity became lower than the ratio-price, the corporation was to purchase the surplus at the ratio-price. By buying on large enough scale, the domestic price of wheat would be brought up to the ratio price. The corporation would sell the wheat abroad at whatever price prevailed in the world market, suffering a loss equal to the difference between the pegged domestic price (the ratio-price) and the world price. Farmers would not realize the full ratio-price, however, because the corporation's loss was to be paid by the farmers through a fee on wheat they sold.

The plan included a flexible tariff provision which authorized the

[1]In the first McNary-Haugen Bill, the commodities specified were wheat, flour, corn, raw cotton, wool, cattle, sheep, and swine—or any food product manufactured from cattle, sheep or swine.

[2]The ratio-price was to be based on pre-war averages and was defined as the amount which would bear the same relation to the general price level as the price of the commodity supported had borne to the general price level in the period just prior to World War I. The ratio-price was free to increase or decrease as the general price level increased or decreased. Prices were free to go as much above the ratio-price as supply and demand would determine. Thus in the strict sense of the term, the plan was not a price-fixing scheme. However, it was price-fixing to the extent that prices were not to be allowed to fall below the ratio-price in the home market.

President to raise the rate sufficiently to protect the corporation. The tariff was to be at least equal to the difference between the domestic ratio-price and the price on the world market.[1] This provision was essential, otherwise wheat could be imported at a profit. The proposal made no provision for control of surplus commodity production.

Five bills incorporating this plan were presented to Congress and two versions were passed by both houses, but the plan was not placed in operation because of presidential vetoes. Though defeated, the McNary-Haugen movement accomplished more than was realized at the time. The effort to make the tariff effective for agriculture gave farmers a sense of unity and brought them to realize, that with proper organization and a common cause, they could win the attention of Congress and have an effective voice in national agricultural policy. Probably the most important accomplishment of the McNary-Haugen movement was that it imbued many farm leaders and others with the two-price idea. It laid a foundation for a new philosophy regarding the role of government in the economic affairs of agriculture.

Agricultural Marketing Act of 1929

While Congress was debating the McNary-Haugen proposals, the export-debenture plan, and other farm legislation, dissatisfaction continued to mount.[2] The burden of mortgages and other debts contracted when prices were higher reached intolerable limits with the falling prices of 1929. In June,

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[1] In the second McNary-Haugen Bill, 1925, the objective shifted from the ratio-price plan to the policy of making existing tariff duties effective in domestic prices. This would simply give farmers the world price, plus the tariff. The ratio-price feature was dropped in hope of avoiding charges of price-fixing. This change was not satisfactory to the strongest proponent of the plan, George N. Peek, because world price plus tariff might not be equal to the ratio-price and, in his estimation, nothing less than the ratio-price was fair to American agriculture.

It can readily be seen that under this plan the average price received by wheat farmers, so long as a surplus was produced, would have been less than the world market price plus a tariff. However, if no more wheat was produced than that required for domestic consumption, wheat growers would have received the world price plus nearly all the tariff. Thus the tariff would have been effective.

[2] Although the McNary-Haugen movement was the dominating farm proposal during the 1920's, other price-raising ideas with objectives similar to the McNary-Haugen plan were formulated during this period. While none of these ideas were enacted into laws, some not even voted upon, they became, to a degree, seeds for agricultural legislative programs in the early 1930's. The most popular of these was the export-debenture proposal of Charles L. Stewart of Illinois. Later, the domestic-allotment plan was a prominent proposal.

1929, Congress approved a marketing plan which, in the main, placed reliance upon farmer controlled cooperative associations for solving the farm problem.

The Agricultural Marketing Act of 1929 created the Federal Farm Board with the object of promoting orderly marketing, largely through the medium of cooperative businesses, and of stabilizing wheat prices by holding surplus stocks off the market. After only one year of operation, however, the Board had become convinced that production control measures, which had been of secondary importance, were essential if farm prices and farm incomes were to be stabilized. The Board, unable to check the accelerated decline in price, was liquidated in 1933. The program demonstrated the futility of attempting to control prices through marketing adjustments without effective production control. This belief became the basis for succeeding legislation.

From the AAA of 1933 to World War II

Agricultural Adjustment Act of 1933

The agricultural situation had reached near crisis proportions by 1932. Farmers were struggling with the lowest prices in decades and their purchasing power was drastically decreased. Farm commodities moved only at extremely low price levels. Industrial workers and businessmen were facing difficult situations, but farm prices had fallen further than those of nonfarm goods and services. As long as these "price disparities" continued, agriculture was unable to regain a favorable economic position. There was widespread belief that public action was desirable. Governmental aid was regarded as essential, both to correct the economic pressure on agriculture and to strengthen the complete national economy.

The Agricultural Adjustment Act, passed in 1933, was not limited to a definite duration, nor was it a permanent act. It was primarily an emergency measure, subject to termination whenever the President proclaimed the national economic emergency in relation to agriculture had ended. It gave little or no emphasis to long-range planning, but marked a departure from past agricultural legislation as it was more specific in its objectives and in the measures necessary to bring them about.

An Agricultural Adjustment Administration was created to administer the act. The new legislation gave the Secretary of Agriculture sweeping powers and a wide choice of methods for meeting the agricultural emergency. They included authority to reduce acreage or production for market, or both, of any "basic" agricultural commodity, through contracts with individual producers. (The initial basic commodities were wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products.) It was believed that a reduction in farm production for market would raise the prices of farm products.

Benefit Payments. Farmers who participated in the program were awarded benefit payments for reducing their production. Money for payments was to be obtained mainly from a "processing tax" collected upon the first domestic processing of each basic commodity or product. In the case of wheat, it was to be collected from flour millers. The tax was to be the difference between the prevailing average price of the commodity and its fair exchange value, unless the Secretary should determine that a tax of that magnitude would reduce consumption unduly.

The wheat adjustment program was the first commodity program to be announced under the new legislation. To be eligible for benefit payments, the individual wheat grower signed a contract agreeing not to plant to wheat more than a specified percentage, set by the Secretary of Agriculture, of his corresponding planted acreage in a given base period. The acreage restriction was an attempt to prevent an expansion of production, stimulated by increased income to wheat growers, which would defeat the program's objectives.

1935 Amendments. Amendments to the Agricultural Adjustment Act in 1935 included important modifications of the basic legislation, and some changes involving definitions and techniques of procedure. Some modifications were made in the hope that they would lessen the danger of adverse court rulings if the constitutionality of the act were challenged.

Section 32 was one of the most flexible and diversely used authorizations in the 1935 amendments. The Secretary of Agriculture was given broad powers by this section which provided for the so-called surplus disposal program.[1] Section 32 provided that an appropriation equal to 30 percent of the gross custom revenue collected each year by the federal government was to be made available to the Secertary to: (1) encourage the exportation of agricultural commodities and products by the payment of benefits or indemnities for losses in connection with such exportation or for payments to producers as additional revenue on that part of their production of any agricultural commodity required for domestic consumption; (2) encourage domestic consumption of agricultural commodities or products by diverting them, through benefit payments, indemnities, or by other means, from the normal channels of trade; (3) finance adjustments in the quantity of agricultural commodities planted or produced for domestic consumption.

[1]Section 32, amended a number of times, kept the purposes basically as originally enacted.

Act Held Unconstitutional in Part. The Supreme Court decision in the Hoosac Mills case in January, 1936, brought the production-control features of the Agricultural Adjustment Act to a halt. The Court held that the use made of the proceeds of the processing tax levied under the act constituted control of agricultural production and was therefore unconstitutional because it was an invasion of rights reserved to the states. Though not all of the act was voided by the Court's decision, the two major features of the program—the power to levy processing taxes for the purpose stipulated in the act, and the power to enter into acreage reduction contracts and agreements with individual growers — were nullified, depriving the Agricultural Adjustment Administration of its principal scource of funds. Section 32 was not affected.

Soil Conservation and Domestic Allotment Act

Following the decision of the Supreme Court in the Hoosac Mills case, Congress quickly prepared and passed sections 7 to 17 of the Soil Conservation and Domestic Allotment Act of 1936.[1] This legislation stressed soil conservation and improvement as the core of the agricultural control program. Crops were classified as "soil-depleting" or "soil-conserving". Though the general classification varied considerably among regions, the soil-depleting crops generally were the intensively cultivated row crops such as corn, cotton, and tobacco, and the small grains such as wheat and oats. Grasses, legumes and green-manure crops were classified as soil-conserving crops.

Farmers who participated in the program were paid for shifting specified acreages from soil-depleting to soil-conserving crops, and for using other approved soil building practices. In addition, subsidies were to be paid to a producer of basic crops on that portion of his production which constituted his equitable share, as determined by the Secretary of Agriculture, of the normal national production of any commodity required for domestic consumption. Such payment could not exceed the difference between the price received in the market and the parity price for the product.

The program was financed by funds appropriated by Congress from the Treasury, plus such amounts as the Secretary of Agriculture might assign out of Section 32 funds. Appropriations for soil conservation and direct subsidy payments were not to exceed $500 million for any fiscal year. A farmer was not to be eligible to receive payment unless he restricted his

[1]Technically, this Act was an amendment to the Soil Erosion Act of 1935. Sections 7 to 17 were enacted to replace, in part, certain provisions of the Agricultural Adjustment Act of 1933 which were invalidated by the Supreme Court on January 6, 1936.

acreage of soil-depleting crops to that specified by the Secretary of Agriculture.

As a result of acreage restrictions and extreme drought, wheat production was relatively low during 1933 through 1936. Prices received by farmers for wheat in 1936 showed considerable improvement and reached their highest levels since 1928. Unsatisfactory income from wheat farming in 1936 was more a result of low production than of low prices.

Broad Application. In contrast with the production adjustment plan of 1933 which applied only to designated basic commodities, the soil-conservation plan applied to all farms and commodities. Since the producer was permitted to determine the crop to be reduced, the plan was more flexible in its adaptation to individual farm conditions. On the other hand, this made it almost impossible to secure predetermined adjustments in the total output of any given commodity.

Wheat Production Increases. The wheat acreage for the 1937 harvest rose markedly over that seeded for the previous year, and total wheat production increased nearly 40 percent over that of 1936. The return of "normal" growing conditions and better than average yields revealed limitations in the conservation program. The crop of 1937, with a large seeded acreage and excellent crop conditions for 1938, again brought wheat growers face to face with a surplus problem and low prices.

Agricultural Adjustment Act of 1938

The Agricultural Adjustment Act of 1938 contained amendments to the Soil Conservation and Domestic Allotment Act of 1936, but also included new provisions that were important in the wheat program. The soil conservation and allotment features of the Soil Conservation Act were continued, participation remained voluntary, and specific conservation standards had to be met before farmers were eligible for benefit payments. Wheat growers were required to plant within their assigned acreage allotments to qualify for benefit payments under the conservation program. Deductions from these payments, and loss of eligibility for maximum commodity loans and for "parity" payments, were provided for in cases of planting beyond the acreage allotments. Section 303 of the act authorized the Secretary of Agriculture to continue "parity" payments to wheat producers insofar as funds might be appropriated for that purpose. If sufficient funds were available, cooperating producers were eligible for direct payments that would make up the difference between the price received in the market and parity price. Such payments were to be based on "normal" production as defined in the act, and were to be in addition to and not in substitution for any other payments authorized by law.[1]

Allotments. National wheat acreage allotments, calculated to meet domestic, export, and reserve needs, were to be announced each year not later than July 15; then broken down by states, counties, and individual farms. The national acreage allotment for wheat was defined as the acreage which, at average yields, would produce, with the carry-over from the previous year, not less than 130 percent of a year's normal domestic consumption and export requirements.[2]

Wheat allotments were to be on the basis of tillable acres, crop-rotation practices, type of soil, and topography. Up to three percent of the allotment for a given county might be assigned to farms on which wheat had not been planted in the preceding years. This provision modified the base-acreage plan of the 1933 program which tended to freeze allotment rights in the hands of those who were already in the wheat-growing business.

Marketing Quotas. The act provided for marketing quotas for wheat, a new feature in AAA legislation, to be effective beginning July 1, 1938. The Secretary of Agriculture was required to determine not later than May 15 of each year the total United States supply of wheat as of the beginning of the next marketing year. If this supply exceeded a normal year's domestic consumption and export requirements by as much as 35 percent, a national marketing quota was to be proclaimed for the following marketing year.[3]

The national marketing quota was to be expressed in bushels of wheat and allocated to producers in number of acres which, at average national yields, would produce the amount of the quota. If carried into effect, the quota would mean that each grower would be authorized to sell not more than a specified amount representing his portion of the total amount that could be marketed without penalty. If more than this amount were marketed, the excess was subject to a penalty tax of 15 cents per bushel. This applied to any farmer, regardless of whether he was a cooperator

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[1]Under the Soil Conservation and Domestic Allotment Act, direct payments had been based on only that portion of production needed for domestic purposes.

[2]The Act set the national wheat acreage allotment for 1938 at 62.5 million acres. Public Resolution 118, June 20, 1938, amended the Agricultural Adjustment Act of 1938 by providing that the national acreage allotment for wheat for 1939 should not be less than 55 million acres. Public Resolution 33, July 26, 1939, again amended this section by providing that the national acreage allotment for wheat for *any year* should not be less than 55 million acres. Special legislation, Public Law 117, July 14, 1953, provided a minimum of 62 million acres for the 1954 wheat crop only. (This was to prevent possible hardships occurring from making full adjustment from the high wartime acreage levels in a single year.)

[3]The conditions which were to be determined by the Secretary to exist before marketing quotas could be imposed were amended by Public Law 897, July 3, 1948.

in the production control program or not.[1]

Within a specified time after proclamation of a marketing quota, the Secretary was to conduct a referendum among the growers to determine whether they opposed or favored the quota. If more than one-third of the wheat growers voting were opposed to the quota, the quota would not become effective.

Nonrecourse Loans. The Commodity Credit Corporation, upon the recommendation of the Secretary and with the approval of the President, was authorized to make available to cooperators loans upon wheat, if certain conditions existed.[2] If the price of wheat were below 52 percent of parity on June 15, or if the current year's estimated production were in excess of a normal year's domestic consumption and exports, loans were to be available at not less than 52 percent or more than 75 percent of the parity price of wheat at the beginning of the marketing year. The exact point at which the loan was to be set was left to the Secretary of Agriculture; however, the granting of such loans was mandatory providing the producer qualified under the regulations of the act. Loans were to be made only to cooperators in the program except when marketing quotas were in effect. In that case, noncooperators' loans were to be limited to 60 percent of the rate applicable to cooperators, and they were to be made only on as much of their crop as would be subject to penalty if marketed. In years when supplies reached levels at which marketing quotas were authorized, loans were not to be of-

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[1]Public Law 74, May 26, 1941, changed the rate of penalty from 15 cents per bushel to 50 percent of the basic loan rate on wheat for cooperators. On July 14, 1953, this regulation was amended by Public Law 117, which subjected the farm marketing excess to a penalty per bushel equal to 45 percent of the parity price as of May 1 of the calendar year in which the crop was harvested. However, if the producer could show to the satisfaction of the Secretary of Agriculture that the actual production of the excess acreage was less than the normal production of that acreage, the farm marketing excess could be adjusted downward.

Farms were exempt from marketing quotas if the normal production of the acreage planted to wheat of the current crop was less than 100 bushels. This exemption was increased to 200 bushels by Public Law 544, June 6, 1940. Public Law 74, May 26, 1941, provided that a farm marketing quota on wheat was not to be applicable to any farm on which the acreage planted to wheat was not in excess of 15 acres.

The excess was regarded as available for marketing and therefore subject to the penalty regardless of whether it was actually marketed or not. But Public Law 85-203, August 28, 1957, permitted farmers with wheat acreage allotments of less than 30 acres to grow up to 30 acres of wheat without penalty provided the wheat was used exclusively on the farm where it was produced.

[2]Until 1938, wheat had not been included in the loan operations of the Commodity Credit Corporation.

fered if more than one-third of the wheat growers voting in the referendum were opposed to such marketing quotas.

The loans were designed to help hold price-depressing influences in check and to enable producers to carry over supplies from years of unusually large production to be marketed in years of crop shortage without financial hardships. It was believed that the carrying over of supplies would maintain an adequate supply of wheat at fair prices and help stabilize farmers' incomes by avoiding alternate over-supplies and scarcities.

The loans were to be of the non-recourse type. That is, if the market price rose sufficiently and the farmer could pay the storage on his wheat and the interest on the loan, he could sell his wheat and realize the resulting profit. If the price fell below the support level, the borrower could surrender his wheat in satisfaction of the loan and would not be liable for any loss that might accrue to the government. This arrangement offered protection to the wheat grower in either a declining or a rising market.

Crop Insurance. Title V of the Agricultural Adjustment Act of 1938 established the Federal Crop Insurance Corporation to insure wheat producers, beginning with wheat harvested in 1939, against unavoidable losses in production resulting from adverse weather conditions, disease, insect infestation and other hazards.[1] Premiums and losses were to be calculated in bushels of wheat, and payments made either in wheat or cash. During the first three years of operation, contracts were not to be for more than one year at a time and farmers could insure for either 50 or 75 percent of their average yield.

The results of the first five years in crop insurance were not encouraging. Loss claims paid during the first three years amounted to more than premiums collected, even though national yields in those years exceeded the fifteen-year average yield. By 1944, the insurance program as a whole showed a loss of about $67 million. Congress, feeling that the program was too expensive and that not enough farmers were participating, did not provide funds for insurance on the 1944 crop.

The insurance program for wheat was reinstated in December, 1944.[2] In 1947, Congress made several basic changes in the nature and scope of the crop insurance program. The earlier, depression-born legislation had emphasized alleviation of distress in agricultural areas.

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[1] In 1941, the act was amended to authorize the Corporation to insure cotton as well as wheat.

[2] The crop insurance program was also reinstated for cotton and extended to permit the insuring of flax on a national basis and other commodities on an experimental basis.

The new purpose, as stated in the act, was "to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance."

Crop insurance was placed on an experimental basis by restricting the number of commodities for which the Corporation could write insurance and the number of counties in which insurance could be offered. Also, the level of insurance that could be provided was limited to the general cost of producing the insured crop.

An amendment to the Federal Crop Insurance Act in 1949 authorized a modest expansion of the program. For each year through 1953, the Corporation was permitted to offer coverage on wheat in up to 100 additional counties.[1]

A 1953 amendment permitted the Corporation to continue expansion by authorizing insurance in 100 additional counties each year. In determining the new counties in which the insurance was to be offered, the Corporation was to take into consideration the demands of the farmers for crop insurance, the availability of crop insurance to commercial producers, and the anticipated risk of loss to the Corporation.

Wheat Stocks Increase. The Agricultural Adjustment Act of 1938 failed largely in its attempt to achieve production control in the wheat industry. Large stocks of wheat overhung the market when the act was passed. Despite reductions in acreage they continued to rise and the carry-over stood at 250 million bushels in 1939. It rose to 631 million bushels in 1942, much greater than it had been at anytime during the Federal Farm Board regime. Without the supporting influence of Commodity Credit Corporation loans in 1942, prices probably would have dropped to the levels of 1931 and 1932.

The Commodity Credit Corporation was designed to ease the impact on prices from abnormally high production or severe decreases in demand. Eventually, however, it came to have a second function of maintaining prices at favorable levels. It is obvious that the two functions were not compatible. This second function was an underlying cause of the large accumulation of wheat stocks in the late 1930's and early 1940's. Without the heavy demand for farm products that grew out of the war, the Commodity Credit Corporation could easily have suffered the fate of the Federal Farm Board.

Legislation in the latter 1930's evidenced a gradual transition from an emergency policy of cushioning

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[1]Similar expansion programs also were permitted for specified agricultural commodities other than wheat.

the agricultural market against severe price declines to a more permanent one of price pegging above the level of the free market. Acreage restriction programs were not able to reduce production much, and storage stocks under Commodity Credit Corporation loan or owned by the Corporation accumulated rapidly. Because of the great demand for wheat during World War II and the postwar period, however, these large stocks did not prove to be embarrassing, but turned out to be a material asset.

Wartime Measures

In the early years of World War II the government did not especially encourage wheat production. Since 1938 the wheat market had been burdened with heavy surpluses, and in the early days of the war farmers were receiving unsatisfactory prices. There was more concern with overproduction than there was with the possibility of shortages. In early 1940 the war seemed remote, and in view of rapidly mounting wheat stocks the policy was to limit rather than to expand wheat acreage.

From 1941 to 1948, emphasis was on expanded wheat production. On May 26, 1941, Congress approved legislation directing the Secretary of Agriculture to *support* wheat prices at 85 percent of parity through Commodity Credit Corporation loans and purchases. Previously, the Secretary had been permitted to *determine* the level of support for wheat within the specified range of 52 to 75 percent of parity. Thus, the flexible price support provisions of the 1938 legislation were dropped. The higher loan rate applied to the 1941 and subsequent crops providing marketing quotas were not disapproved.

Steagall Amendment

On July 1, 1941, an act was passed extending the life and increasing the credit resources of the Commodity Credit Corporation. A "rider" (section 4), commonly referred to as the Steagall Amendment, provided that whenever during the existing emergency the Secretary of Agriculture found it necessary to encourage the expansion of production of any nonbasic agricultural commodity, he should provide support prices at not less than 85 percent of parity. Such support activities were to be continued until the Secretary had given sufficient public announcement to permit producers to make readjustments in production. This amendment authorized what was in effect a system of forward prices on a selective basis. Although it did not contain any clear-cut provisions for price support after the war, there was an implication that it was intended to cushion the shock in the event of a sudden termination of the war. Such provisions were elaborated and made more specific in later amendments.

On December 26, 1941, the loan rate on wheat at 85 percent of parity was extended to cover crops for the years 1942 to 1946 inclusive. This also applied to the other basic commodities and was very important legislation as it meant that forward price floors were to be in effect for basic commodities for a considerable length of time. This placed farmers in a better position to make more definite farm plans.

In the latter half of 1941, inflationary influences became evident in the farm sector of the economy. Spendable income in relation to available supplies of some food products was increasingly rapidly. The cost of urban living was advancing at an accelerating rate, and the fear of inflation was causing a great deal of unrest among wage workers. In Congressional debate directed toward price control legislation, ceiling prices for farm products were proposed. Agricultural leaders, however, considering years of inequitable farm prices as compared with nonfarm prices, were reluctant to have such ceilings.

Emergency Price Control Act

An Emergency Price Control Act was passed on January 30, 1942, which gave the Office of Price Administration power to fix price ceilings on farm products. This power, however, was restricted in several respects. A maximum price could not be established on any agricultural commodity below the highest of any of the following prices: (1) 110 percent of parity; (2) the market price prevailing for such commodity on October 1, 1941; (3) the market price prevailing for such commodity on December 15, 1941; (4) the average price for such commodity during the period, July 1, 1919, to June 30, 1929.

Stabilization Act

In the fall of 1942, the Administration appealed to Congress to pass legislation to protect farm prices against the possibility of sudden and disastrous price declines following the close of the war. Congress was asked also to lower price ceilings on farm products. It was the belief of many that if proper action were taken with respect to agricultural production and prices, and taken soon enough, a price collapse such as that which followed World War I could be prevented.

Stimulated by this point of view, Congress passed Public Law 729, referred to as the Stabilization Act. Section 3 of the act provided that no maximum price was to be established for any agricultural commodity below a price which would reflect to producers of agricultural commodities the higher of the following prices: (1) The parity price for the commodity or (2) the highest price received by producers for the commodity between January 1, 1942, and September 15, 1942. There was, however, a clause which permitted the President, without regard to the limitation contained in the second of these criteria, to adjust any maximum price to the extent necessary to correct gross inequities, providing it did not lower the price of the commodity below its parity price.

With respect to price guarantees on wheat, the act provided for loans by the Commodity Credit Corporation at 90 percent of the parity price as of the beginning of the marketing year for the 1942 crop and for each subsequent crop for two years following the official termination of World War II. Loans at this level were to be limited to those growers who were operating in accordance with acreage allotments and marketing quotas announced by the Secretary of Agriculture and accepted by the growers. If marketing quotas were disapproved, the loans were not to be effective. Loans to noncooperators were to be limited to 60 percent of the rate applicable to cooperators, and they were to be made only on so much of the commodity as would be subject to penalty if marketed.

The act provided that the President could set the loan rate at less than 90 percent of parity if it were determined that a lower rate was necessary to prevent an increase in the cost of feed for livestock and poultry and to aid in the effective prosecution of the war. This provision was used in 1942 and 1943 to maintain the loan rate at 85 percent of parity. Loans at 90 percent of parity were offered from 1944 through 1954.

The act also contained measures which applied to the "nonbasic" commodities. Section 9, an amendment to the Steagall Amendment, raised the support level on specified nonbasic commodities, often referred to as Steagall commodities, from 85 to not less than 90 percent of their respective parity prices. It also extended to these commodities the same two-year postwar guarantee that it had provided for the basic commodities.

The Stabilization Act was essentially compromise legislation. The Emergency Price Control Act had restricted the Office of Price Administration in its power to set price ceilings on farm products, as such ceilings were to be not less than 110 percent of parity nor less than alternative levels that might be higher. Because rising food prices constituted a serious threat to the over-all price stabilization program, however, Congress was asked to allow the Office of Price Administration to establish price ceilings on farm products at 100 percent of parity. Congressmen from the agricultural states and many farm leaders, opposed to price ceilings at any level, finally conceded to the establishment of price ceilings at 100 percent of parity. In return for this concession it was agreed that support levels on both the basic and the Steagall commodities were to be increased from 85 to 90 percent of parity and that support at this level would be effective for two years following the official termination of the war.

Raising the support rate to 90 percent of parity probably encouraged farmers to produce more for the war effort, but more important, was the pledge to support prices at this level for two years after the close of the war. It was this provision that encouraged farmers to expand their farm production without fear of a sudden and disastrous drop in farm prices such as that which followed World War I.

Wheat Program Changes

In July, 1942, wheat supplies were overtaxing storage facilities. Stocks were at an all-time high of 631 million bushels, and the current crop of 969 million bushels was the second largest produced up to that date. It seemed reasonable that the AAA Administrators were more concerned with the continuation of the prewar acreage-adjustment programs than with an all out effort to accumulate still larger stocks as insurance against possible war needs.

During the last half of 1942 and early 1943, heavy feeding of wheat to livestock and its use in the production of alcohol made it appear that the wheat surplus soon would be eliminated. In February, 1943, when it became evident that larger quantities of wheat would be needed, acreage and marketing restrictions were set aside for that year's crop. Acreage allotments were not effected again until the 1950 crop, and marketing quotas were abandoned until 1954.

The relaxation of production controls came none too soon. Although we had 631 million bushels of old-crop wheat in 1942 and approximately 5.1 billion bushels harvested from the crops of 1942 to 1946, inclusive, the carry-over on July 1, 1947, was only 83.8 million bushels. Fortunately, the 1947 crop was extremely bountiful. Without the favorable yields from 1942 through 1947, we would have been unable to provide adequate supplies of wheat for our allies and, later, a needy populace in liberated areas. We also would have been forced to apply stringent restrictions on domestic uses. Yields were favorable, however, and we exported approximately 1.7 billion bushels of wheat from 1945 through 1948. The two outstanding years were 1947 and 1948 when 486 and 504 million bushels, respectively, were exported.

Agricultural Act of 1948

American farmers were in a much more favorable situation after World War II than they were immediately after World War I. Farm prices were protected by government guarantees, and agriculture as a whole was in the strongest financial position it had ever known. Price supports had become a part of the farmers' thinking and of national policy. The agricultural sector of the economy hoped to establish a long-term policy which would retain in peacetime the high earnings of the war years. Although there was general agreement that new farm legislation was necessary, there was considerable disagreement within the farm group as to the degree that the government should control agricultural prices and production. Some wanted a shift toward a freer economy. Others preferred the assumed security of high-level price supports and rigid governmental control.

The Agricultural Act of 1948, limited mainly to a price support program, was essentially a comprise between a "long-range" program desired by the Senate and a "stopgap" measure desired by the House. The House version of the bill (Title I of the Act) was to become effective January 1, 1949. Except for the basic crops, the long-time flexible farm price support measures (Titles II and III) were to become effective January 1, 1950. In the case of wheat (also cotton, corn, tobacco, rice and peanuts), Title I was to remain in effect until June 30, 1950.

Price Support

Title I provided that the price of wheat to cooperating wheat growers was to be supported at 90 percent of parity until June 30, 1950, providing producers had not disapproved marketing quotas. The price support to non-cooperators was at 60 percent of the rate to cooperators and only on that portion of the crop subject to penalty if marketed. All loan and price-support provisions authorized in the Agricultural Adjustment Act of 1938, as amended, were to be applicable in carrying out this policy.

New Parity Formula

Title II amended the parity-price formula and provided a new set of support-price schedules and conditions for the period beginning July 1, 1950. The "new" parity formula was designed to reduce parity prices for some major crops after a transitional period and to increase those for most livestock products, leaving the average level of parity prices for all commodities unchanged. The purpose of the new formula was to bring the relationships among parity prices of the various farm products more nearly in line with actual price relationships of recent years. For example, the cost of producing wheat had been reduced by extensive mechanization. Similar cost reductions had not been achieved in the production of beef, but the domestic demand for beef had increased greatly. If prices were to be increased in the same ratio for both of these products, the tendency would be to make wheat growing very profitable, and to discourage the production of livestock products which were in short supply.

To overcome this difficulty, the revised parity price formula provided that parity price for any agricultural commodity would be the adjusted base price of the commodity multiplied by the parity index as of the date of computation. The adjusted base price was to be the average of the prices received by farmers for the commodity during the preceding ten years divided by the ratio of the general level of prices received by farmers in this ten year period to the general level of prices received by farmers in the period January 1910 through December 1914. In other words, the adjusted base price was to be obtained by dividing the average price of the commodity in the ten preceding years by the average of the indexes of prices received by farmers for all commodities during the same period.

For example, under the new formula the parity price of wheat on June 15, 1948, would have been calculated as follows: During the 1938-1947 period, the average price received by farmers for wheat was $1.22 per bushel and the index of prices received by farmers for all commodities averaged 168 percent of the 1910-14 average. Dividing $1.22 by 1.68 (168 percent) would give 72.6 cents, the adjusted base price. Multiplying 72.6 cents by 2.51 (251 percent), the appropriate index of prices paid by farmers, would give $1.82, the parity price for wheat on that date.

Under the old formula, the index of prices paid by farmers, 2.51 (251 percent), was multiplied by 88.4 cents, the average price received by farmers for wheat during the years 1910-1914. This gave $2.22, the parity price per bushel for wheat on that date.

If the new formula had been applied, the parity level for wheat would have dropped because wheat prices in the ten years immediately preceding 1948 were lower relative to other farm prices than they had been in the base period August 1909-July 1914. The new formula would have brought the parity price more nearly in line with the actual prices of wheat during the ten years immediately preceding 1948.

Transitional Parity Prices

Transitional parity prices were provided for those commodities, such as wheat, for which the parity prices under the new formula were much below the parity prices under the old formula. This provision was designed to prevent reductions in levels of price support at rates so great that farmers would be unable to make resource adjustments without severe disruption of their farm operation. If, after January 1, 1950, the parity price for any agricultural commodity was more than 5 percent less under the new formula than the old formula, the change was to be transitional. In such instance, the parity price was to be computed by the old formula, and the transitional parity price as of any date was to be this price less 5 percent of the parity price so determined multiplied by the number of full calendar years which, as of such date, had elapsed after January 1, 1949. This transitional process was to be continued until it resulted in a parity price lower than that provided by the new formula at that time, the new formula would apply.

Flexible Price Supports

The act provided that after June 30, 1950, flexible price supports for wheat, tied to the supply factor, were to be substituted for 90 percent of parity support. Wheat price supports to cooperators were to be based on a schedule of minimum price supports with a floor ranging from 60 to 90 percent of parity (Table 1).

When the total supply was not more than 70 percent of the normal supply, the level of support was to be 90 percent of parity. For each increase of 2 points in the supply percentage, the minimum price support was to be reduced by one point. When total supply increased to more than 130 percent of the normal supply, the support price was to be not less than 60 percent of parity. When total supply

Table 1—Levels of price supports for wheat under sliding scale for designated supply conditions, Agricultural Act of 1948.

Total Supply as Per Cent of Normal Supply		Support Level as Per Cent of Parity Price*
more than	*but not more than*	
0	70	90
70	72	89
72	74	88
74	76	87
76	78	86
78	80	85
80	82	84
82	84	83
84	86	82
86	88	81
88	90	80
90	92	79
92	94	78
94	96	77
96	98	76
98	102	75
102	104	74
104	106	73
106	108	72
108	110	71
110	112	70
112	114	69
114	116	68
116	118	67
118	120	66
120	122	65
122	124	64
124	126	63
126	128	62
128	130	61
130		60

*The level of support was to be not less than the percentages stated.

Source: Agricultural Act of 1948, Public Law No. 897, *U. S. Statutes at Large,* 80 Congress, 2 sess., LXII (July 3, 1948), p. 1253.

equalled normal supply, the minimum support price was to be 75 percent of parity.

Notwithstanding these provisions for flexible supports, if acreage allotments were in effect at the beginning of the planting season, or if marketing quotas were in effect at the beginning of the marketing year, the minimum support price automatically was to be increased by 20 percent. In no case, however, was the support to exceed 90 percent of parity. In other words, with allotments or quotas in effect, the minimum support would be 72 percent and the maximum 90 percent of parity. If marketing quotas were voted down by producers, supports would be set at 50 percent of parity regardless of the supply percentage. Thus the price support on wheat worked out to an absolute floor of 50 percent and an absolute maximum of 90 percent, except that a higher percentage could be authorized in case of emergency.

The level of the support price for wheat under this plan depended primarily upon the definition of normal supply and total supply. Normal supply was defined as (1) the estimated domestic consumption for the preceding year, plus (2) the estimated wheat exports for the current year, plus (3) an allowance for carry-over. The carry-over allowance for wheat was to be 15 percent of the consumption in the previous year plus estimated exports for the current year. Total supply for any marketing year was defined as (1) the total carry-over at the beginning of the marketing year, plus (2) the estimated production of the year, plus (3) the estimated prospective imports during the marketing year.

The Agricultural Act of 1949

The long-term features of the Agricultural Act of 1948 had reflected the thinking of those who wanted to return to a freer agricultural economy with less dependence on government. With the passage of this legislation it was generally assumed that the first steps had been taken in that direction. Many felt confident that after January 1, 1950, the effective date for the long-term features of the act, more reliance would be placed on free-market prices as guides to production. The congressional elections in the fall of 1948, however, replaced many of the supporters of more moderate proposals with leaders who championed high-level price supports for farm products. As a result, Title II of the Agricultural Act of 1948 was replaced by the Agricultural Act of 1949 before the 1948 Act could become effective.

Higher Price Support Levels

The new legislation retained in principle the flexible price-support features of the 1948 act, but with so many modifications that it resulted in higher levels of support. The provisions of price support for wheat in 1950 were as follows: (1) A support at 90 percent of parity was mandatory to cooperators, providing marketing quotas had not been disapproved and acreage allotments or marketing quotas were in effect; and (2) if producers disapproved marketing quotas, supports at 50 percent of parity were to be available to producers who complied with acreage allotments. The latter provision also applied to the 1951 and 1952 crops. Support to cooperators for the 1951 crop was to be not less than 80 percent nor more than 90 percent of parity, providing producers had not disapproved marketing quotas.* Price supports were to be available to non-cooperators, not in excess of the level of price supports to cooperators, as the Secretary of Agriculture determined to be necessary for effective operation of the program. This provision also was effective for the 1950 and 1952 crops.

Sliding Scale

Beginning with the 1952 crop, the act provided that price-support levels were to be determined by a sliding scale (Table 2) similar to the 1948 act. The scale provided a price support range of 75 to 90 percent of parity for wheat on supplies ranging from 130 percent down to 102 percent of the normal supply. In the 1948 act the range was to be from only 60 to 90 percent of parity on supplies ranging from 130 percent of normal down to 70 percent. The higher support of the 1949 act was, however, more apparent than real because the 1948 act had provided that minimum support levels would be increased 20 percent, but not to exceed 90 percent of parity, if allotments or quotas were in effect.

The Secretary of Agriculture was

Table 2—Levels of price supports for wheat under sliding scale for designated supply conditions, Agricultural Act of 1949

Total Supply as Per Cent of Normal Supply		Support Level as Per Cent of Parity Price*
more than	*but not more than*	
0	102	90
102	104	89
104	106	88
106	108	87
108	110	86
110	112	85
112	114	84
114	116	83
116	118	82
118	120	81
120	122	80
122	124	79
124	126	78
126	128	77
128	130	76
130		75

*The level of support was to be not less than the percentages stated.

Source: Agricultural Act of 1949, Public Law 439, *U. S. Statutes at Large,* 81 Congress, 1 sess., LXIII (October 31, 1949), p. 1051.

*Through administrative decisions based on the supply situation, the 90 percent of parity support was extended through the 1951 and 1952 seasons.

authorized, after proper hearings, to support any agricultural commodity at a level in excess of the maximum prescribed in order to prevent or alleviate a shortage involving national welfare or defense needs.

Forward Price Provisions

The act provided that the Secretary, insofar as practicable, was to announce the level of price support for field crops in advance of the planting season. The price support so announced was not to exceed the estimated maximum level specified in the act. The announced level of price support was not to be reduced, however, even though the maximum level, when determined, was less than the level announced.

The parity formula in the 1949 act was amended to include wages paid hired farm labor. The 1949 act also provided for dual parity choice in determining the support level for the basic farm commodities. During the four-year period beginning January 1, 1950, the act provided that for any basic commodity, such as wheat, the old formula would apply if it would bring about a higher parity price than the new formula.*

*This feature of the price-support act was extended two additional years by a law of July 17, 1952. This law also amended the 1949 act to make 90 percent of parity for wheat and other basic commodities effective for the 1953 and 1954 crops providing producers did not disapprove marketing quotas.

International Wheat Agreement[1]

Negotiations for an International Wheat Agreement were held as early as 1931. It was 1949, however, before an agreement was reached acceptable to most of those countries which engage in international wheat trade. The 1949 agreement was revised and renewed in 1953 and again in 1956. The Internaitonal Wheat Agreement of 1956 was to be effective through July 31, 1959.

The primary objective of the agreement was the stabilization of supplies and prices in the international wheat market. To accomplish this, wheat-importing countries agreed to provide wheat-exporting countries a market for a specified quantity of wheat if it were offered at the minimum price stipulated in the agreement. Wheat exporting countries, in turn, agreed to sell specified quotas of wheat

[1]The International Wheat Agreement Act of 1949 was passed to authorize the President, acting through the Commodity Credit Corporation, to carry out the terms of this agreement. The Act of 1949 was amended to authorize the necessary action to effect the stipulations of the revised agreement.

each year if offered the maximum price set in the agreement. When prices were between the maximum and minimum, both importing and exporting nations were free to trade, or not to trade.

For the United States the International Wheat Agreement was, essentially, a surplus removal program carried out through export subsidies. When the domestic price was higher than the price under the Wheat Agreement, the United States was obligated to pay export subsidies to make up the difference between that price and the sale price to importing countries. Average export subsidies ranged from 47 cents to 67 cents per bushel from 1949 through 1953.

The Korean Period

In 1950 there was a growing concern over wheat surpluses. Demand was failing to keep abreast of farmers' ability to produce, and the government was confronted by large quantities of wheat acquired under price-support programs. The wheat carry-over on July 1, of that year amounted to nearly 425 million bushels, more than twice as large as it had been two years earlier.

The outbreak of war in Korea in June, 1950, abrupty changed this situation. The government became more concerned with the possibility of wheat deficits than with surpluses. Farmers were urged to increase production to meet current additional requirements and build surpluses as a safeguard in the event of a large-scale and prolonged war. To encourage production it was announced that there would be no marketing quotas or acreage allotments on the 1951 wheat crop. They also were abandoned for the 1952 and 1953 crops. Furthermore, the price of wheat was not to be limited to less than its parity price or the highest price paid between May 24 and June 24, 1950, whichever was higher.

Farmers responded favorably to the government's request for greater agricultural production. The acreage seeded to wheat increased from 71.3 million acres in 1950 to 78.5 million in 1951. It further increased to 78.6 million in 1952 and reached a peak of 78.9 million acres in 1953.

Yields in 1951 were the lowest since 1939 and, despite increased acreage, total production was smaller than it had been the previous year. The crops of 1952 and 1953 were much better; total production for those years was 1,306 million and 1,173 million bushels respectively.

The Korean conflict did not develop into a large-scale and prolonged war, and production goals for wheat proved to be larger than the effective demand. Once again the government was facing a surplus wheat situation. The temporary increase in demand had caused the wheat carry-over to drop to 255.9 million bushels in 1952, but it rose to 605.5 million the following year. On July 1, 1954, it reached a record high of approximately 933.5 million bushels.

These large supplies were not because of any lack of planning on the part of wheat growers. Rather, they were the result of definite planning based upon practical experience gained during World War II and the immediate postwar years. Regardless of the reason, it was evident that measures were needed to discourage the further accumulation of surpluses to higher and more burdensome levels. The legislation which was passed to modify the 1949 act, however, contained provisions which in fact enlarged the wheat-production base in several ways.

The Agricultural Act of 1954

The Agricultural Act of 1954 which became a law on August 28 of that year contained many important features. Among them were the following: (1) The establishment of a "set aside" of not less than 400 or more than 500 million bushels of wheat, which was to be excluded from the computation of "carry-over" for the purpose of determining the price support level; (2) a 5 percent per year limitation on the downward price adjustment in moving from "old" to "new" parity price; (3) the establishment of minimum 1955 farm acreage allotments on certain summer-fallow farms; (4) an increase in the allowance for carry-over from 15 to 20 percent of the domestic consumption and exports in the computation of "normal supply"; (5) the authorization of the Secretary of Agriculture to designate a commercial wheat area; and (6) provision for flexible price supports.

Set Aside

The Commodity Credit Corporation was to set aside within its inventories not less than 400 million and not more than 500 million bushels of wheat. The primary purpose of the "set aside" was to cushion any depressing effect on price support levels of existing surpluses and to provide time for emergency measures to dispose of them. It was considered imperative for the set aside stocks to be disposed of in an orderly manner and as rapidly as possible without serious impact on prices. Wheat stocks set aside were to be excluded from the computation of "carry-over" for the purpose of determining the price support level. Such stocks, however, were to be included in the computation of the total supplies for determining acreage allotments and marketing quotas. This was necessary in order to avoid piling up more surpluses.

Limited Disposal Methods[1]

This wheat was to be disposed of in ways which would not disturb normal trade in either domestic or foreign markets. Such stocks could be disposed of only for (1) foreign relief purposes, (2) developing new markets or expanding existing markets, (3) donation to school lunch programs, (4) transfer to the national stockpile, (5) research, experimental, or education purposes, (6) disaster relief purposes in the United States, and (7) sales for unrestricted use, to meet a need for increased supplies, in which case the sales price was not to be less than 105 percent of the parity price.

Commercial Wheat Producing Area

The Secretary of Agriculture was given discretionary authority to designate a commercial wheat-producing area. If, for any marketing year, the acreage allotment for wheat for any state was 25,000 acres or less, the Secretary could designate such state as outside the commercial wheat-producing area for that marketing year. No farm marketing quota or acreage allotment was to be applicable outside the commercial wheat-producing area. Also, the allotment for other states was not to be increased by the elimination of any state from the commercial area.

Allotments

The act provided for the release and reapportionment of any part of any 1955 farm wheat acreage allotment on which wheat was not to be planted and which was voluntarily surrendered to the county committee. In the reapportionment, preference was to be given to farms in the same county. If all of the acreage surrendered was not needed in the county, the county committee was authorized to surrender the excess acreage to the state committee to be used for "new" farm allotments.

It also provided that any part of any 1955 farm acreage allotment might be permanently released in writing to the county committee by the owner and operator of the

[1]Subject to the limitations of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). This legislation was designed to increase the export and consumption of surplus agricultural commodities. Title I authorized the Commodity Credit Corporation to accept up to $700 million in foreign currencies as payment for surplus agricultural commodities sold abroad to friendly nations. In 1955, this amount was increased $1.5 billion and in 1956 it was increased to $3 billion.

Donation, sale, or other disposition of wheat for famine or other urgent or extraordinary relief requirements abroad was subject to Title II of Public Law 480. A principal provision of that Title provided that the President take reasonable precautions that such transfers would not displace or interfere with sales which might otherwise be made through regular channels.

farm.[1] For the purpose of determining future acreage allotments, the acreage permanently surrendered from the farm for reapportionment was to be credited to the county in which the farm is located.

The final date for proclaiming the national acreage allotment for wheat was changed from July 15 to May 15, and the date for proclaiming the national marketing quota from July 1 to May 15.[2]

End of Mandatory Price Supports

Mandatory price supports for wheat at 90 percent of parity were allowed to expire with the 1954 crop. The new legislation permitted supports to cooperators, providing marketing quotas had not been disapproved, to range between 82.5 and 90 percent of parity for the 1955 wheat crop. Thereafter, price supports ranging from 75 to 90 percent of parity, according to supply percentages as of the beginning of the marketing year, were to go into effect. If a state was designated as outside the commercial wheat-producing area for any crop of wheat, price support for cooperators in such an area was to be at 75 percent of the level of price support in the commercial wheat-producing area.

Other Provisions

The yearly transitional move toward the use of new parity formula for wheat was to be resumed January 1, 1956. The parity price of the basic agricultural commodities was to be adjusted downward each year by 5 per cent of the old formula parity price multiplied by the number of full calendar years which had elapsed after January 1, 1955. This was to be continued until transitional parity reached the level of parity under the new parity formula.[3]

The provisions with respect to total supply and normal supply remained unchanged. Carry-over, however, was to be 20 percent of the consumption and exports used in computing normal supply in-

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[1]The Agricultural Act of 1956 amended this provision by including 1956 and 1957 farm acreage allotments.

[2]May 15 was the final date for proclaiming the national marketing quota under the Agricultural Adjustment Act of 1938. The Agricultural Act of 1948, Public Law 897, July 3, 1948, amended the 1938 Act by providing July 1 as the final date for proclaiming the quota and changed the latest date for conducting a quota referendum from June 10 to July 25. The 1954 legislation again set May 15 as the final date for proclaiming the quota.

[3]The Agricultural Act of 1948 had provided for transitional parity, but its initiation was deferred by the Agricultural Act of 1949 and subsequent legislation. The transition to parity price levels under the new formula was delayed for the year 1957 by the Agricultural Act of 1956. This act, among other things, froze transitional parities for basic commodities during 1957 at 95 percent of the parity price computed under the old formula.

stead of 15 percent under the previous legislation.

There was provision for an upward adjustment of acreage allotments for farms on which a summer fallow crop rotation was practiced for the 1952 and 1953 crops of wheat. This provision was to apply only in areas where summer fallow crop rotation of wheat was a common practice, and it was to be effective for the 1955 crop only.

The Agricultural Act of 1956

Despite acreage allotments and marketing quotas, as well as vigorous attempts to move food and fiber to consumers at home and abroad, surplus stocks of basic agricultural commodities continued to increase. The total supply of wheat for the marketing year beginning July 1, 1955 was 1,981 million bushels. More than one-half of this supply, 1,036 million bushels, consisted of carry-over stocks from previous harvests.

Soil Bank

In an attempt to reduce production of basic crops, and at the same time to increase prices and initiate a program of soil, water, forest, and wildlife conservation, Congress passed the Agricultural Act of 1956. Title I of this legislation was the Soil Bank Act, an addition to regular agricultural programs, and designed to strengthen them. It was divided into two sections, the acreage reserve and the conservation reserve.

Acreage Reserve. Under the acreage reserve program, which was to be effective for the 1956, 1957, 1958, and 1959 crops of wheat, farmers were asked to make voluntary and temporary deductions in acreage below their allotments. The objective was to reduce production by cutting acreages seeded to wheat and at the same time to keep these acreages out of production of other useable crops.

Land placed in the acreage reserve was not to be grazed, cut for hay, or cropped. Some of these restrictions, however, were to be relaxed in event of severe drought, flood, or other natural disaster. Participating farmers were to take measures to prevent noxious weeds from producing seed or spreading from land in the reserve.

Reserve acreages applicable to wheat were to be credited to the state, county, and farm as though such acreage had been devoted to the production of wheat. Thus historical acreage allotments were not to be reduced.

Compensation to cooperating producers was to be at a rate that would provide fair and reasonable returns for reducing wheat acreages. In determining the rate, the Secretary of Agriculture was to consider (1) the loss of production on the reserve acreage, (2) any saving in cost which resulted from not planting wheat on the reserve acreage and (3) the incentive necessary to achieve the reserve acreage goal. The Secretary was to make adjustments in yields for drought, flood, or other abnormal conditions in estimating the loss of production for purposes of establishing the rate of compensation.

Wheat producers participating in the acreage reserve were to receive negotiable certificates which the Commodity Credit Corporation was to redeem either in cash or an appropriate amount of wheat. Such wheat was to be valued by the Secretary of Agriculture at a level that would not materially impair the market price. At the same time the price was to be high enough to encourage producers to accept wheat rather than cash. Wheat received in exchange for certificates was not to be eligible for price support programs. Total payments to wheat producers participating in the program were not to exceed 375 million dollars in any year.

Conservation Reserve. The conservation reserve part of the soil bank gave farmers an opportunity to receive government assistance for long-term conservation work on their farms. Participating farmers were to enter into contracts with the Secretary of Agriculture for periods of not less than three nor more than fifteen years. All acreages devoted to the conservation reserve were to be from land on the farm regularly used in the production of crops, including crops such as tame hay, alfalfa, and clovers, which do not require annual tillage.

Cooperators were not to harvest any crop other than timber from the conservation acreage, not to graze the land, and were not to subject the acreage to any practice or use which would tend to defeat the purposes of the contract. In return, participating farmers were to receive from the government two types of payments—an initial payment and an annual payment. The initial payment was to cover part of the expenses, including labor, of establishing the conservation practices. Annual payments for the length of the contract were to be made to compensate for taking land out of crop and livestock production. The rates of annual payments were to be established on the basis of factors such as (1) value of the land for producing crops, (2) rates of land rent in the area, (3) the incentive necessary to encourage sufficient participation in the program, and (4) such other factors as the Secretary of Agriculture deemed appropriate.

Summary

The total agricultural policy of a nation is expressed in a complexity of laws and attitudes which are constantly subject to change and displacement. During the past forty years the sphere of governmental activity in agriculture has been vastly extended. A variety of government programs, each with its own specific objective, is usually necessary to give full expression to general agricultural policy. Experience with farm legislation in the United States indicates that sharp differences often arise as to methods for obtaining any specific policy objective.

The export demand for wheat during the World War I period forced prices to record heights and produced a corresponding expansion of output. This temporary increase in demand left American farmers after 1920 with an inflated capacity to produce. Farm prices fell sharply. In an effort to raise the price of farm products, the McNary-Haugen plan proposed a two-price system for American agricultural products. Although five separate bills incorporating this plan were presented to Congress and two different versions were passed by both houses, the plan was not placed in operation because of presidential vetoes. In 1929, the Federal Farm Board was established with the objective of promoting orderly marketing largely through the media of cooperative businesses, and of stabilizing wheat prices by holding surplus stocks off the market. The Board was unable to check the accelerated decline in price and was liquidated in 1933.

A new attempt to restore equilibrium between agricultural prices and industrial prices was introduced by the Agricultural Adjustment Act of 1933. This act involved sweeping innovations in the role of government in the economic affairs of agriculture. Although prices rose and farm incomes were increased, it is difficult to say whether these effects were due to the operation of the act or to the severe droughts which reduced wheat supplies. The act was essentially an emergency measure. Subsequent legislation, however, evidenced a gradual transition from the emergency policy of cushioning the agricultural market against severe price declines to a more permanent one of establishing prices at levels which might be considered to be generally favorable.

The World War II demands for agricultural products created a change from surpluses to shortages, and steps were taken to encourage production for war uses and the post-war rehabilitation period. High-level postwar price guarantees were established for the farm products for which output expansion during the war emergency was requested by the Secretary of Agriculture. Agricultural legislation in 1948 and 1949 attempted to direct the policy away from rigid, high-level price supports, but amendments to the acts prevented these provisions from being implemented. The high-level postwar price supports therefore were continued until the Agricultural Act of 1954 again attempted to direct the agricultural industry away from rigid price supports and controls and to guide it nearer free-market prices.

The increased food demands resulting from the Korean conflict brought temporary relief to the situation, but within a comparatively short time the government was again facing a problem of overproduction of some farm commodities. In an attempt to reduce production of basic crops, and at the same time to increase prices and initiate a program of soil, water, forest, and wildlife conservation, Congress passed the Soil Bank Act. The program provided under this act was in addition to existing programs, and was designed to strengthen them.

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