

# Calendar No. 1441

73D CONGRESS }  
2d Session }

SENATE

{ REPORT  
{ No. 1348

AUTHORIZING THE FEDERAL TRADE COMMISSION TO MAKE AN INVESTIGATION WITH RESPECT TO AGRICULTURAL INCOME AND THE FINANCIAL AND ECONOMIC CONDITION OF AGRICULTURAL PRODUCERS GENERALLY

---

JUNE 6 (calendar day, JUNE 9), 1934.—Ordered to be printed

---

MR. WHEELER, from the Committee on Agriculture and Forestry, submitted the following

## REPORT

[To accompany S.J.Res. 124]

The Committee on Agriculture and Forestry, to whom was referred the joint resolution (S.J. Res. 124) authorizing the Federal Trade Commission to make an investigation with respect to agricultural income and the financial and economic condition of agricultural producers generally, having considered the same, recommend that the resolution do pass with the following amendments:

On page 6, line 20, strike out the figures "\$50,000" and insert in lieu thereof "\$250,000".

On page 7, line 5, strike out the figures "1935" and insert in lieu thereof "1936".

One by one in the last 40 years the great industries of the United States have been seized and dominated by monopolized agencies and combines. Perhaps this change is an irresistible economic evolution. At any rate, this Nation has moved from a country of free, unbridled competition to a controlled and regulated set of industries under the domination of interlocked corporations and directorates, astonishingly few in number.

For 40 years there was an effort to control and to prevent developing monopoly. It failed, until today there is no longer a single line of worth-while industry, with the possible exception of farming that is not largely shaped and controlled by a trust or trusts.

Now, most reasonable people will admit mere size in itself is not an evidence of thievery. Such a condition does demand study and investigation so that we may know what has happened, why it happened, and determine if corrective measures are wise.

To ferret out the true facts with relation to the farming industry is the real purpose of this resolution. To go into the question without

preconceived opinions and be fair to all will be the duty of the Federal Trade Commission should the resolution become law.

Dr. Frederick Howe of the consumers' council division has estimated that of the total value of farm products, roughly \$5,000,000,000, some 10 percent, or \$500,000,000 is wastage due to improper grading so far as the farmers are concerned. Dr. Howe admits that his facts are incomplete but other statisticians bear out his preliminary estimates.

Under this resolution, it will be the duty of the Federal Trade Commission to analyze and allocate the costs of producing and distributing foods to the American consumer. One statistician has estimated that it cost the final consumer of five major American farm products in 1932, \$19,021,000,000. That is the sum the consumer paid to the retail merchant. Of this total sum it is estimated that the farmer received but \$7,566,000,000 and that it cost somewhere in the neighborhood of \$11,500,000,000 to get the farmer's products to the consumer. The distressing part of this situation is that apparently the farmer is getting a smaller and smaller share of the consumer's dollar. For example it is estimated that—

In 1928 the farmer got 47 cents of the consumer's dollar; the distributor and processor 53 cents. It has been stated from all authoritative sources that in 1931, before the depression had gotten under full way, only 2 years later, the farmer got 38 cents out of the consumer's dollar instead of 47 cents, while the processor and distributor got 62 cents. Stepping up again to 1932, just 12 months later, the farmer got only 33 cents while the distributor and processor got 67 cents. In other words, from 1929 to 1932, the share of the farmer fell from 47 cents out of the dollar to 33 cents. Now, if you multiply that by billions, you get an indication of the colossal slump in agricultural income and the colossal increase in the distributor's share. This downward drift has been reversed to some extent in 1933 and 1934. In November 1933 the farmer got 36 cents of the consumer's dollar, while the distributor and processor got 64 cents. In January of this year, 1934, the farmer's share is again 36 cents of the consumer's dollar.

It is of interest to note that if the gross farm income is in the neighborhood of \$5,000,000,000, each one of the citizens of the United States pays the farmer a little less than a dollar a week for his entire food supply. On the other hand, he pays to the distributors and processors of this food supply almost \$2 a week.

Charges have been made that the processors and distributors of food supplies now largely united in huge combines have attained their present greatness in part by consistently watering their capital structure. Statements have also been made that some of these concerns could not show an original cash investment reaching company coffers of more than 10 percent of their present capitalization and that this position applies with equal force to the oldest and newest of the food combines, while the demand is insistent that dividends be paid not only upon the cash actually invested in the company but upon all watered stock as well. While the farmer got less, many of the food concerns handling his output paid larger dividends and larger salaries and larger bonuses to their officials throughout the depression.

It is the purpose of this resolution to study and ascertain the facts. The resolution calls for an explanation of the method and devices used by such corporations for obtaining and maintaining their alleged control of the farm commodities. It would expose the extent to which fraudulent and unfair methods are employed in the grading and warehousing of these products. It would study the question of whether there is price fixing and manipulation of prices as

charged on the commodity exchanges. Finally, the resolution would call for a report upon remedies. It directs the Federal Trade Commission to report on the extent to which cooperative agencies have entered into the processing and marketing of farm products and to the extent which other countries have adopted or promoted marketing agencies of a public or cooperative sort for the simplification and cheapening of processing and distribution charges.

Under the resolution the Department of Agriculture, the National Recovery Administration, the Department of Justice, and the other agencies of the Government are directed to cooperate with the Commission in the inquiry. Authority is given the Commission to inspect income-tax returns and to submit any useful information thus obtained to the Congress. For these purposes the resolution appropriates out of any money in the Treasury not otherwise appropriated, the sum of \$250,000.

The Commission is directed to present a preliminary report to the Congress on January 1, 1935, and a final report with recommendations for legislation not later than July 1, 1936.

#### ENDORSEMENTS FOR SENATE JOINT RESOLUTION 124

The resolution has the endorsement of the many farm organizations and cooperative associations in all parts of the country. It also has the endorsement of the National League of Commission Merchants. The commission merchants say:

An investigation such as contemplated in the Wheeler resolution, had it been made 10 years ago, would have saved millions of dollars for agriculture and the Federal Government. We feel that even at this late date, such an investigation is imperative if complete disaster in agriculture is to be avoided.

The resolution has the approval of the Department of Agriculture, as the following comment by the Acting Secretary indicates:

Such an investigation would lay the basis for a better understanding of the problems of food distribution and should facilitate the elimination of such inefficiencies and abuses as might be discovered.

Summary studies made in this Department indicate that during the last 30 years the farmer's share in the dollar spent by the consumer on food has steadily declined while the share going to processing and distribution has correspondingly increased. This fact coupled with the high concentration in several major lines has led to such repeated criticism of the high cost of distribution and allegations of monopoly that an investigation would be most desirable either to disprove the criticisms or to substantiate them. The processing and distribution of food so intimately affects both the farmer and the whole consuming population that any question of inefficiency or abuse warrants further extensive investigation. At the same time, those persons engaged in the processing and distribution of food should be protected from malicious criticism by an impartial analysis of facts.

Finally, the resolution has the support of the Federal Trade Commission and the chairman has written that "the Commission believe that the investigation is one which would be of very great importance both to producers and consumers of farm products." The letter from the Federal Trade Commission is as follows:

MAY 23, 1934.

HON. ELLISON D. SMITH,  
Chairman Committee on Agriculture and Forestry,  
United States Senate, Washington, D.C.

MY DEAR SENATOR: In response to your request for a report dealing with Senate Joint Resolution 124, permit me to say that the Commission has examined this resolution carefully and desires to make only two suggestions relative thereto.

The scope of the investigation, as you will note, is very broad, and the Commission suggests that section 6 might well be amended to provide that the Commission present an interim report to the Congress at its next session and a final report with recommendations for legislation not later than July 1, 1936. The amount of work involved is such that the Commission considers that it would be impracticable to make an adequate report within the time limits fixed by section 6.

The Commission also wishes to direct your attention to the amount of the authorization for appropriation contained in section 5. It has attempted to estimate what the cost would be of carrying out the complete investigation called for by the resolution and believes that to investigate the various matters thoroughly would require an appropriation on the order of \$750,000. In particular, the second section of the resolution providing for the determination of capitalization assets, investments, costs, profits, etc., of the principal corporations engaged in the manufacturing, processing, distribution, and marketing of representative major products will require a large amount of detailed accounting work. If it is desired to provide at the present time only such funds as might be sufficient to conduct that part of the investigation which can be completed by July 1, 1935, it is suggested that from \$250,000 to \$300,000 would be necessary for the conduct of the work during that period.

The Commission believes that the investigation is one which would be of very great importance both to producers and consumers of farm products.

By direction of the Commission:

GARLAND S. FERGUSON, Jr., *Chairman.*

○