

PROVIDING FOR A COORDINATED AGRICULTURAL
PROGRAM

MAY 17 (legislative day, MAY 10), 1948.—Ordered to be printed

Mr. AIKEN, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. 2318]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2318) to provide for a coordinated agricultural program, having considered same, report thereon with a recommendation that it do pass with an amendment.

HISTORY OF LEGISLATION

Pursuant to Senate Resolution 147, the chairman of the Senate Committee on Agriculture and Forestry on August 11, 1947, appointed a subcommittee to make a study and inquiry into the trends, needs, and problems of agriculture, and to make what it considered to be desirable recommendations for the consideration of the Congress. In its report to the committee, the subcommittee developed an economic basis for a long-range agricultural policy and program by setting forth the peculiarities of agriculture which make such a policy desirable from the standpoint of all consumers and the national welfare, and by listing the general objectives in accomplishing the integration of agriculture in the national economy as well as the points where Federal action is needed to stabilize the agricultural economy in the interest of a sound national economy.

The subcommittee report was approved by the committee and submitted to the Senate on February 9, 1948, as Senate Report No. 885.

The subcommittee also drafted S. 2318 which was introduced in the Senate and was intended as a working basis for the committee. Comprehensive hearings were conducted on the measure and with the additional background of the study by the subcommittee, the experience gained from the operation of the present farm program for more than a decade, and the help of private and public officials interested

in agriculture, the committee has evolved the policy and program embodied in the amendment proposed to S. 2318.

While members of the committee held divergent views on particular phases of an agricultural program, every effort was made to reconcile the differing views into a policy and program which meets the unanimous approval of all. The bill as amended is the result of such effort.

It is the opinion of the committee that this is the best time to develop sound agricultural legislation. At present most segments of our farm population are enjoying an income which compares favorably with that of industry and labor with surpluses and carry-overs at a low level. The immediate enactment of permanent agricultural legislation will prevent to a great extent the economic emergencies which have resulted in severe crises for farmers in the past, thus avoiding hasty action to meet economic distress. In developing this legislation, the committee has kept that purpose and goal in mind.

The committee recognized that legislation now on the statute books is accomplishing a number of objectives of a long-range farm policy. The proposed legislation was developed with a view to rounding out as far as possible at this time, a coordinated, well-balanced, permanent program for agriculture, designed for the ultimate benefit of all our people.

It is essential that a sound agricultural policy provides for the efficient production of food, fiber, and forest products at a level of income to farmers which provides them with a good level of living and insures their remaining stable users of the goods and services furnished by other segments of our economy. The committee believes this is vital in the development of a stable national economy.

GENERAL OBJECTIVES

This legislation is designed to accomplish two major objectives. First, the bill provides for the coordination of agricultural programs at the National, State, and county levels. The operations of the Soil Conservation Service and the Agricultural Conservation Programs Branch of the Production and Marketing Administration are combined at the national level as the Bureau of Agricultural Conservation and Improvement. It further provides for close coordination at State and local levels of those programs with other Federal and State agencies dealing with farmers. The programs at the local and State levels will be coordinated largely by farmer-elected county and State committees which will help formulate policy and develop programs as well as administer them in cooperation with the Secretary of Agriculture. The work now being done by local soil-conservation districts will continue to be administered as at present.

Second, the bill provides for a flexible price-support program for agricultural commodities adjusted to the supply and designed to obtain fair prices for farm products and assure abundant production. It is the opinion of the committee that such a program will help stabilize the national economy while aiding the agricultural economy of this country.

Price experiences from 1930 to 1936 demonstrated that when farm prices fall below certain levels for a prolonged period of time, they contribute to national depression. In fact it may be said that when farm prices fall below 60 percent of parity for a prolonged period, it not only

leads farmers into bankruptcy, but it materially affects the national economy because the farmer ceases to be a normal purchaser of goods and services.

On the other hand, it has been demonstrated that fixed price supports for farm products without reference to supplies of products, have encouraged the producer to continue to expand production without regard for the demand for his products. Thus, support prices should be maintained somewhere between 60 and 90 percent of parity. The essence of the price-support plan embodied in S. 2318 is to provide for a flexible support program based upon supports of 75 percent of parity for a normal supply of production with the support price lowering 1 percent for each increase of 2 percent in supply above normal and vice versa. Hence, if the supply of products exceeds 130 percent of normal, the support price falls to 60 percent of parity, and if the supply of products falls to 70 percent or less of normal, the support price rises to 90 percent of parity.

The remaining sections of this report are devoted to the specific provisions proposed to effect the above objectives.

BUREAU OF AGRICULTURAL CONSERVATION AND IMPROVEMENT

The bill provides for the establishment of a Bureau of Agricultural Conservation and Improvement which will combine the functions at the national level of the Soil Conservation Service and the Agricultural Conservation Programs Branch of the Production and Marketing Administration. The integration of these agencies at the national level is essential in view of their common purpose and in the interest of economy.

In providing for further coordination of agricultural programs, the bill specifically states that work pertaining to educational, informational, and demonstrational functions shall be exercised through the Agricultural Extension Service of the United States Department of Agriculture in cooperation with the State agencies. It also directs that the research and investigational functions of the Division of Soil Conservation and Improvement of the United States Department of Agriculture, as provided for, shall be exercised in cooperation with the agricultural experiment stations.

COMMUNITY AND COUNTY AGRICULTURAL PROGRAM COMMITTEES

Throughout the field hearings held by the Senate subcommittee there was a demand on the part of farmers that they be given more responsibility in planning and directing farm programs to meet local needs and to avoid duplication of effort and unnecessary costs at local levels. The bill is designed to coordinate the work with individual farmers at the local and State levels before the existing agencies get further apart and bring either added confusion or excessive costs through conflict or duplication of effort in local communities.

The bill provides for an election by all farmers of community and county agricultural program committees. Such an election in itself should provide for full farm representation. However, the bill provides that the State agricultural council, which is discussed later, may designate officials of certain additional organizations such as the soil-conservation districts or grazing associations, who may, because

of their position, serve on the local county agricultural program committee. This committee shall elect a small executive committee of from three to five members from their own number who will serve as an administrative group to direct local programs and to carry out duties assigned to them by the State agricultural council in cooperation with the Secretary of Agriculture.

Specifically the duties of the county agricultural executive committee would be (1) to secure personnel to carry out such work as the Secretary of Agriculture through the State agricultural council assigns to it; (2) to see that this personnel performs the functions assigned to them; (3) to see that the present work of the Soil Conservation Service, the current operations of the Production and Marketing Administration dealing directly with individual farmers, the Agricultural Extension Service, and other agencies is coordinated to prevent overlapping, duplication, and infringement of one agency upon duties of another; (4) to effect savings in administrative costs at the county level or to make needed services in the county more effective; (5) to recommend to the Secretary of Agriculture, through the State agricultural council, ways in which the county work can be made more effective in terms of better service, better use of personnel and emphasis upon phases of work most essential to the county.

It is the intent of the committee that this type of organization will come to have a prominent place not only in administering the program now set forth in the bill, but to develop into an organization which will go much further in coordination of all agricultural programs. As this type of coordination develops it is believed that the Secretary will wish to give added responsibilities to the county executive committees and that they can help promote State agricultural activities that may be assigned to it.

It is further believed that the best way to conserve funds made available for the various local programs is to vest in local farmer elected committees the responsibility of seeing to it that the directions developed cooperatively within the provisions of existing law, by the Secretary of Agriculture and the several State agricultural councils, are properly carried out. This arrangement need not require that farmers elected to the county agricultural program executive committees or to the State agricultural council serve in any capacity beyond that of a board of directors. In other words, they may employ workers to administer the programs which are to be carried out under their direction. This type of administrative organization should utilize the most competent farmer leadership at the local levels.

STATE AGRICULTURAL COUNCIL

The State agricultural council previously mentioned is provided for with a majority of its members elected in convention by the chairmen of the elected county agricultural program executive committees of the State and which shall include three ex-officio members, namely the State commissioner (or director) of agriculture, the director of the Agricultural Extension Service, and the director of the agricultural experiment station, or their designees. The committee believes that an elected State agricultural council will provide a democratic form of organization and insure a more thoroughly coordinated and efficient organization for carrying out agricultural programs. Hence the key

to the coordination of all action programs is the organization of the State agricultural council and the county agricultural program executive committee, which are farmer elected and thus represent all farmers and the various agencies serving farmers.

UTILIZATION OF STATE AGRICULTURAL COUNCILS AND COUNTY AGRICULTURAL PROGRAM EXECUTIVE COMMITTEES

The bill provides that the Secretary of Agriculture shall consult with the State agricultural council regarding the allocation of Federal funds to a State and that he shall utilize the State agricultural council, the community and county agricultural program committees, and the county agricultural program executive committee in administering the Soil Conservation and Domestic Allotment Act. The bill places emphasis upon the use of the funds to encourage and provide for soil-conserving and soil-rebuilding practices and that the Secretary shall determine upon desirable soil-building and soil-conserving practices only after consultation with the State agricultural council.

The Secretary is also authorized to assign such other functions as he may find desirable within the scope of existing legislation to the State council and local committees.

PRICE-SUPPORT PROGRAM

The most significant feature of the price-support program embodied in the bill is that price supports are provided on a flexible basis which is intended to be self-adjusting to the supply of farm products. The basic support level shall be 75 percent of parity when the supply of farm products is at a normal level.

Six farm crops, corn, wheat, cotton, rice, peanuts, and tobacco are continued as basic commodities. Mandatory price supports will drop to 60 percent of parity when supplies exceed 130 percent of normal, and rise to 90 percent of parity if supplies fall to 70 percent of a normal supply.

Special mention is made of wool as a nonbasic commodity since the supply of wool has dropped to less than 300,000,000 pounds, the lowest level in more than 40 years. The committee believes that it is in the national interest to encourage the production of approximately 360,000,000 pounds of wool as a minimum. Therefore, the Secretary is directed to support the price of wool at not less than 60 or more than 90 percent of parity in order to obtain and maintain an annual production of approximately 360,000,000 pounds.

Products other than the six basic commodities and wool are to be supported at not more than 90 percent of parity, no lower limit being named. The degree of support must depend, at least for perishable commodities, upon the funds available. The Commodity Credit Corporation may support the price of storable farm commodities after taking into consideration the following factors:

1. A supply of the commodity in relation to the demand therefor.
2. Price levels at which other commodities are being supported.
3. The availability of funds.
4. The perishability of the commodity.
5. Its importance to agriculture and the national economy.
6. The ability to dispose of stores acquired through a price-support operation.

7. The ability and willingness of producers to keep supplies in line with demand.

Attention is further directed to the support of perishable products which are not readily storable but which are eligible for price supports to the availability of section 32 funds, which represent 30 percent of import duties. At present nearly half of section 32 funds are directed to the school-lunch program which may be regarded both as a measure to insure better nourishment of school children and a means of utilizing abundant or surplus products.

In the event of national need the Secretary of Agriculture may raise the support price of a commodity above 90 percent of parity.

Under the price-support plans as set forth in the bill the intention is to help provide an abundant food supply while at the same time supporting a sound national economy. The plan is essentially one of placing a floor under farm prices at a level which will not encourage overexpansion in the production of any particular commodity, but will keep all commodities in balance with each other.

PARITY FORMULA

The basis for price supports for farm products is parity prices. Parity prices for farm products are prices determined by a formula established by Congress and designated by Congress as being fair and equitable prices. The intent of Congress was to establish parity prices at a level that would give farm products in general a constant purchasing power in terms of things farmers buy. The basis chosen was the period 1909-14. The "parity price" formula has served a useful means of measuring the fairness of farm prices but the further they are removed in time from the period 1909-14 the less accurate parity prices become because of changed conditions in the demand for farm products for domestic consumption and for export and changes in the relative costs of producing different farm products.

The new parity price formula in S. 2318 retains the 1909-14 base for determining the current relationship between the things the farmer buys and those he sells. However, it is revised to take into account changes which have occurred in the demand for farm products and changes in their methods and costs of production by providing that the parity price of any farm product in relation to the parity price of any other farm product shall be the same as their actual price relationships for the immediately preceding 10 years.

Because of new products introduced into our agriculture, marked changes in the cost of producing some products, and changes in consumption, many different base periods have been used in calculating parity prices. The committee believes the revised formula will make possible the use of the same formula for practically all farm products. If it is found, however, that a parity price for some product is not equitable or later becomes inequitable, proper procedure is provided for its revision.

NORMAL SUPPLY

In setting up the price-support program one of the major objectives is to maintain an abundant production of farm products. This requires a frequent determination of a desirable supply or a "normal supply" of farm products. A "normal supply" of farm products

shall be the past year's domestic consumption plus the expected current year's exports plus the following carry-over of the products named, corn 7 percent, cotton 23 percent, rice 10 percent, wheat 15 percent, peanuts 15 percent, and tobacco 175 percent of domestic consumption and 65 percent of exports. These amounts of the basic commodities are considered necessary to maintain the necessary amounts of farm products in the normal channels of trade.

MARKETING QUOTAS

S. 2318 further provides that the Secretary may call a referendum of producers to decide on voting controls or marketing quotas on corn, cotton, rice, or wheat when the supply of any one of these products exceeds the "normal supply" by 15 percent or when farmers are receiving less than 70 percent of parity and the supply is less than "normal supply." Producers of peanuts and tobacco are permitted to vote on quotas under existing legislation.

The present policy of withholding price supports from noncooperators and the system of penalty payments for violation of marketing quotas is continued.

MISCELLANEOUS

Because of the complexity of administering price-support programs with regard to the amount of commitments, provision is made for continuity in the use of section 32 funds. The bill directs that section 32 funds will remain available to the Secretary until expended in order to meet any possible future emergency, but the total amount remaining unexpended at the end of any fiscal year shall not exceed \$300,000,000.

Section 22 of the Agricultural Adjustment Act of 1933 is amended to include any commodity subject to price-support operations under the provisions whereby the President may take corrective action upon finding that imports are rendering or tending to render any particular price-support program ineffective. However, the imposition of import fees or quotas under section 22 shall not be enforced in contravention to any treaty or international agreement to which the United States is or hereafter becomes a party.

CONCLUSION

While the combining of the program embodied in S. 2318 with the present farm program does not accomplish all immediate legislative objectives, it is the earnest opinion of the committee that this legislation is a proper step in that direction. Furthermore, it represents a minimum of legislation needed to cope with the readjustment of prices when the Steagall amendment expires. It is believed that this method of supporting prices will prevent financial disaster to farmers, that it permits farmers considerable freedom to adjust production to meet demand through their own efforts, that it will result in a minimum of expenditures of Federal funds and that the plan is thoroughly workable. The revisions of the farm program contained in this legislation will aid materially in achieving the general objective of helping agriculture maintain its proper place in the economy of this country.

Therefore, the committee urges enactment of S. 2318 at the earliest possible time.



shall be the past year's domestic consumption plus the expected current year's exports plus the following amount: if the product is a cash crop, current consumption plus 10 percent; if it is a non-cash crop, current consumption plus 15 percent; and if it is a non-cash crop, current consumption plus 20 percent. This amount shall be the amount of the product to be produced in the normal channels of trade.

2.2.1. In the event of a shortage of a product, the Government shall take such steps as may be necessary to ensure that the product is available in the normal channels of trade. In the event of a shortage of a product, the Government shall take such steps as may be necessary to ensure that the product is available in the normal channels of trade. In the event of a shortage of a product, the Government shall take such steps as may be necessary to ensure that the product is available in the normal channels of trade.

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