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Bureau of Agricultural Economics

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SOME SELECTED REFERENCES RELATING TO THE IMPACT
OF THE WAR UPON THE NATIONAL AGRICULTURAL PROGRAM
THE ENEMY

Under date of January 8, 1941 the Secretary of Agriculture sent a report of an Interbureau Coordinating Committee suggesting the development of a unified state agricultural program to meet the impacts of the war to the several agencies of the Department, and asked the Federal Director of Extension Work to transmit this statement to the several land use planning committees in the field.

This statement asked that each State land use planning committee endeavor to start work on questions relating to the effects of the war upon agriculture, and the revisions, changes, and extensions needed in the agricultural program to meet the impacts of the war and our own defense program.

In order to make available to members of State land use planning committees and others concerned with this work, some of the discussions and statements that have a bearing on this problem as it relates to agriculture at the national level, a series of excerpts from speeches and statements are here brought together. These include:

1. Agricultural Preparedness: An address by Claude R. Wickard, Secretary of Agriculture, at Purdue University, Lafayette, Indiana, January 15, 1941.

2. The Relation of Agriculture to the National Defense Program: An address by Chester C. Davis, Agriculture Commissioner of the National Defense Advisory Commission, before the Illinois Agricultural

Association, St. Louis, Missouri, January 31, 1941, as carried in DEFENSE, bulletin of the National Defense Advisory Commission, February 4, 1941, Vol. 2, No. 5.

3. Financing Farm Programs: An address by R. M. Evans, Administrator of the Agricultural Adjustment Administration, at the American Farm Bureau Federation Annual Meeting, Baltimore, Maryland, December 2, 1940.

4. Problems Ahead for American Farmers: An address by R. M. Evans, Administrator of the Agricultural Adjustment Administration, at annual meeting of Farmers Grain Dealers Association of Iowa, Des Moines, Iowa, January 29, 1941.

5. The Impact of War and the Defense Program on American Agriculture: An address by E. F. Christy, Assistant Director, Office of Foreign Agricultural Relations, at Purdue University Agricultural Conference, Lafayette, Indiana, January 15, 1941.

6. Problems and Possibilities Under Marketing Agreement Programs: An address by Dr. E. W. Gaumnitz, Assistant Administrator, Surplus Marketing Administration, at State College Farm and Home Week, Ithaca, New York, February 12, 1941.

7. Weak and Strong Features of our Farm Policies: An address by Claude R. Wickard, Secretary of Agriculture, at National Farm Institute meeting, Des Moines, Iowa, February 22, 1941.

In addition to this material, attention is called to a paper which Mr. H. R. Tolley, Chief of the Bureau of Agricultural Economics, prepared for the meeting of the American Economic Association at New Orleans, December 28, 1940, entitled "Agriculture in the American Economy: An Appraisal of the National Interest in the Agricultural Situation." This is an excellent background statement of our agricultural problem and some of the factors that must be considered in developing a continuing agricultural program.

AGRICULTURAL PREPAREDNESS: Extracts from an address by Claude R. Wickard, Secretary of Agriculture, at Farm and Home Week, Purdue University, Lafayette, Indiana, January 15, 1941

" . . . I ask you to think hard and straight with me on certain aspects of our farm problem here this afternoon and I hope our discussion may be with an open mind.

"I believe that if I were to ask a group of farmers or agricultural leaders or economists (including the Government variety), 'What is the reason we are exporting so little wheat or corn or cotton or lard this year?', I would receive a reply in unison: 'The War!'. . . . But it would be in error if we say that World War No. 2 is the sole cause for our almost complete loss of exports and that as soon as war ends we will have what we think of as 'normal' exports. . . .

"The facts are that the trend of American farm exports has been downward since the turn of the century. Now I don't mean to say that the decline has been constant. You know better than that. It has been by fits and starts. Exports shot up during the World War days. But they had been declining before that for 15 years. Exports fell off like a stone dropped from a tower after the Smoot Hawley Tariff Act of 1930.

"But here is the important thing to remember: the long-time trend in our exports is downward. . . . The fact of the matter is that

in the past 20 years our only action that offered a real solution to the problem of lost exports for American products was the Reciprocal Trade Agreements program. . . . Long before World War No. 2 broke out, some countries were using the barter method of carrying on international trade. . . . World War No. 2 climaxed the trend in our export trade that had been going on for four decades. Likewise it brought out into sharp relief the situation that American farm products face in the world export markets today.

"If it is improbable that our exports will return to what we think of as 'normal' volume, then isn't it in the interest of farmers, and the nation, to lay future plans accordingly? In view of our present large reserves and our ability to step up production rapidly if export outlets should develop, I can't believe that anything is lost by being prepared for a diminished export outlet. In fact, from the standpoint of internal strength and economic well being, there is much to be gained by being prepared for such a situation.

"Of course, we won't be so stupid as to close our eyes to any export possibilities which may open up. In fact, we'll keep a sharp lookout for them and do everything possible to restore old markets and find new ones. . . . However, at best, we seem to be under the necessity of being prepared to export in smaller volume in the future.

"So then we come to the still more difficult question: 'What are the best ways of being prepared?' In answer to that question, some

of us will simply reply, 'Reduce production'. Again, I wish it were as simple to do that as it is to say it.

"In the case of at least one commodity -- cotton -- it seems to me we must return to the action described by our term 'agricultural adjustment' -- not merely to the idea of reduction. I know a lot of you people who have been in county planning work have come to the conclusion that I have reached and which I have stated to Congressional Committees: 'It is not difficult to see what we should do with our land to preserve its fertility, stop erosion, and create better sized and better organized farming units, economically speaking. The trouble comes when we try to place the people who would be driven off the land by such changes in land utilization.'

"The first thing we must realize is that we can't reduce the number of people who live on cotton farms, or wheat farms, or tobacco farms, in the same proportion that we reduce the acreages of these commodities. The fact of the matter is that agricultural population has been increasing because our surplus farm people couldn't find a place in city industries. It is my hope that there can be greatly increased industrial expansion in areas where we have the problem of too many people and too low incomes because of lost markets. . . .

"As farmers and as citizens, we have a responsibility to help the underprivileged in agriculture. Requiring them to raise less cotton

or other export crops isn't solving their problem. They must be encouraged and be given the means first of all to raise the things they need for their own tables. We can't afford to let people go without adequate diets. That is one reason why I say we need agricultural adjustment and not just reduction.

"Yes, I know this adjustment is certain to mean increased production of milk, pork and vegetables. Most of this increase will and should be consumed by the family on the farm or in the immediate neighborhood where produced. But, no one can guarantee that a small portion of such home production might not get into the so-called commercial market some time, some place, temporarily. Even so, you and I must always keep in mind that these people who need better living on the farms are victims of circumstances beyond their control, and in a way, of our own short-sightedness. We can't afford to shrug and say they shall always be undernourished and poorly clad.

"I have had enough experience in agriculture on the farm and off the farm to know that it is going to require a tremendous effort on the part of agricultural leaders everywhere to make what I am calling 'agricultural adjustment' to meet the loss of exports and to help long-neglected, under-privileged farm people. First comes the obligation to give farm people the facts so that they can see what must be done and how to do it. The Land Grant College agencies, particularly the Extension Service, must lead in this educational program. Farm

organizations must join in the educational effort. The A. A. A., land use planning, and all other farm committees must do their share in bringing these problems before all farm people.

"These problems I have been discussing present great difficulties. They are extremely complex and their social implications are simply tremendous. However, there is one phase of the agricultural adjustment problem to which too little attention has been paid and it is a phase that offers real possibilities, in my opinion. Certainly it presents a challenge.

"I refer to the field of the underfed and poorly clothed people in cities and on farms. There is an opportunity in our own Nation where we can, unhampered by world relationships and completely unmindful of the war if you please, find an outlet for many of our so-called surpluses. In his recent message before Congress, the President named four kinds of freedom. One of those was freedom from want. With 20 million people living on an average of 5 cents per meal, we can hardly say that the American people are free from want now. Tremendous gains have been made in bridging the gap between the wants of this needy group and our highly efficient production methods. But we have made only a step. . . ."

THE RELATION OF AGRICULTURE TO THE NATIONAL DEFENSE PROGRAM:

Extracts from an address by Chester C. Davis, Agriculture Commissioner of the National Defense Advisory Commission, before the Illinois Agricultural Association, St. Louis, Missouri, January 31, 1941, as carried in DEFENSE, publication of the National Defense Advisory Commission, February 4, 1941, Vol. 2, No. 5

"From this what the outcome of the present struggle may be, let no one delude himself into thinking that the old order of man's affairs in this country will be restored unchanged.

". . . for example . . . we may emerge in a world divided into systems of nations, each pursuing an economic policy shaped to its own needs or ambitions and disregarding those of the competing groups of nations: a world in which all international trade will be carried on under close central controls, and this means, in turn, that domestic business activity everywhere will be under more or less rigid Government direction."

Mr. Davis stated as his belief that it is possible to choose a program now and develop it in the future that will lessen and, in part, avert the loss of agricultural markets. Such a program, he said, would include the following steps:

"(1) Press on to develop and discover plans to increase consumption of food and fiber at home, particularly by the underfed and poorly clothed millions who live here.

"(2) Continue and enlarge if necessary the policy of storing food and fiber against enlarged domestic consumption in the future or the reopening of foreign shipments. Present loan and purchasing programs have prevented the full impact of these national stores from pressing down the price to the farmer. They must be pursued courageously and administered promptly. They should not be hampered by the formulae and habits of thought that governed us in a world at peace.

"(3) Provision should be made, either as a part of the pending lend-lease bill or by negotiations accompanying it, whereby the United Kingdom will take from the United States the normal proportion of agricultural commodities which she must import. That England has not done so in recent months is understandable in view of the pressure on the dollar exchange available as means of payment in this country.

"But pending legislation should relieve that. I would like to see provision made that will give American cotton and food the same status under the proposed plan as manufactured goods. And I don't see how it can possibly be to England's disadvantage, under the new arrangement, to insist that she buy from the United States in approximately the relative proportion she did before this war started.

"(4) Europe is going through a winter of starvation as miserable as the world has known since the Middle Ages. It is true that starvation is a weapon of war, and no one can blame the warring countries for making use of it. But civilization is not advanced by starvation in the long run.

"We need to plan now so that we can move swiftly when a way is found to make our surplus available to the starving millions who need it, when the time for reconstruction arrives. Perhaps that will be one way in which America can contribute to a better world order when wholesale insanity comes to an end.

"(5) No matter what the outcome of this struggle may be, it will be a long time, if ever, before uncontrolled world trade among individuals is possible.

"Nations will be compelled to direct and control international trade in the interest of their own economics. When that time comes, farmers must insist that the Government of the United States recognize the peculiar conditions of their industry.

"Some forms of exports are infinitely more important, dollar for dollar, than others. Years ago I said that, under conditions where dollar exchange to pay for exports from the United States is limited, sound national policy made it more profitable for us as a Nation to export cotton than automobiles. I mentioned automobiles merely as an illustration, and some of the manufacturers took sharp exception to it. I repeat that assertion now.

"The revived purchasing power throughout the South that would follow restored export outlets would mean an infinitely wider market for the automobile manufacturers right here at home than they would lose abroad if their exports were restricted in favor of cotton. That

condition needs thinking about and acting upon and right now is not too soon to start it.

"I believe this Nation should carry out the principle that new defense industries would be located in areas where the heavy industries essential to defense are now concentrated when there was any possibility of placing them elsewhere. That is the only way in which new reservoirs of unemployed labor and resources can be tapped without uprooting families and shifting them thousands of miles into communities where abating of the armament effort will leave them stranded.

"The plans which had been made prior to the emergency for maximum war production were not based on such a principle. In carrying out the program we have made some progress toward decentralization but I have been far from satisfied.

"So in the first stages of the defense program I must frankly say we have missed some important opportunities. I had hoped that we might use much of the surplus manpower or ineffectively employed manpower of agriculture near at home--that we might avoid moving these folks across the country to supplement the labor supply which, in some of the large urban centers, is already running short.

"In a sense, during the year ahead the defense program will enter its second phase. It began during a period of depression--at a time when factories were running at partial capacity and when many workers, both skilled and unskilled, were out of work.

"The first effect of the new defense orders was to take up slack.

"Now this period of taking up the slack is drawing to a close in many areas. The steel industry, the aluminum industry, many branches of the chemical industry are running at capacity. The demand for labor is becoming more acute. In many branches of industry we are entering upon the period when capacity must be expanded and where, until this new expansion comes into production, shortages may be expected to appear.

"During this second phase of the program, we shall see some serious problems for agriculture.

"Sometimes, when I am feeling very pessimistic, I find myself painting a rather black picture. I see industrial management using the defense program as a device for recouping the losses of the lean years. I see it asking prices and obtaining margins of profit which enables it to set aside a kitty for the lean years that may be ahead. I see labor, pressed by higher living costs, eyeing these increased profits. I see some organized labor groups exploiting the sudden increase in the demand for special skills or trades. I see the farmer, the white-collar worker, professional groups, and the small businessman who is not participating in the defense program, being squeezed in the process.

"I hope that it may never come to pass but I think we can only prevent it by a clear-cut, vigorous policy, well fortified by action. Profits on defense orders must be kept to fair and moderate proportions. Any undue gains which appear must be recaptured by thorough-going excess profits taxation. No one is privileged to get rich as a result of this arduous effort.

"We must make every effort to expand industrial capacity by the time it is needed so as to keep shortages to a minimum, for every shortage is a temptation to higher prices. Labor must not take undue advantage of any increase in its bargaining position. All unjustifiable price and wage increases must be vigorously curbed."

FINANCING FARM PROGRAMS: Extracts from an address by R. M. Evans, Administrator of the Agricultural Adjustment Administration, at the American Farm Bureau Federation Annual Meeting, Baltimore, Maryland, December 9, 1940

"It is difficult to realize fully what the farm program has meant in the past year because it has done such a good job in cushioning the shock of war upon agriculture. Foreign markets for our farm products have been shattered. Without acreage adjustments to prevent a mountainous backlog of surpluses and without commodity loans to support our farm prices above world levels, we would certainly have returned to the ruinous conditions of 1932 -- or worse. We would have 30-cent wheat, 25-cent corn, and 5-cent cotton. . . .

"Shrinking foreign markets for agricultural commodities began before the war when nation after nation tried to become self-sufficient in food supplies. After the war is over, no matter which side wins, the prospects are unfavorable for our export trade in farm commodities because impoverished nations will not have the money to buy from us.

"It seems to me that the producers of export crops in this country are going to have to get ready for some important adjustments. Come what may, there will have to be greater controls in our farm program. I can tell you frankly that the outlook now indicates the need for marketing quotas next year on wheat and corn, as well as on cotton and tobacco. Our recent experience with tobacco suggests the possibility of voting on 3-year quotas at one time. You may wish to consider the 3-year quota method because it simplifies administration and reduces costs.

"But the export troubles of some of the other countries in the Western Hemisphere are much more serious than ours. In order to work out our mutual problems cooperatively and avoid undue hardship for any group of producers, I hope we can arrange for some commodity agreements among the American nations whose destinies are linked together by historic forces.

"A second vital factor in the economic picture is the prospect that farmers will have to pay higher prices for the things they buy.

Expanded production for our defense program is expected to result in higher prices for many products that the farmer uses. As a matter of common fairness, the farmer has an equal right to expect higher prices on the things he sells. It is obvious that the goal of parity prices for agriculture will be harder to reach in the near future.

"A third significant fact which we have to face is that record-breaking expenditures for defense are going to make it increasingly difficult to finance the entire farm program adequately with funds from the Federal Treasury.

"Naturally, direct appropriations will be necessary for certain purposes. Farmers can expect Congress to provide funds to conserve the soil, to increase food consumption among low-income families, to aid the exportation of farm products, to promote research, to carry on the rural rehabilitation and tenant purchase programs, and to finance certain other needs of agriculture.

"Yet all this will not give farmers parity prices and parity income. We have never had a sufficient appropriation for full parity. Last year, an additional $1\frac{1}{2}$ billion dollars would have been required to bring farm income up to par with nonfarm income, as measured by the parity period in the 5 years before the first World War. Farm income and farm prices have been below the parity level for 20 years. During this time farmers suffered a total income deficiency of 35 billion dollars because their prices were below the level of other prices.

"Parity is the goal set up by Congress in the Agricultural Adjustment Act of 1938. It is still our goal today. Farmers are not asking for a special privilege of any sort. In asking for parity, they simply want to be put on an equal footing with the rest of the population. . . . Industry profits from billions of dollars' worth of tariff protection which does not have to be renewed annually. I believe agriculture likewise deserves a self-financing program to achieve the goal of parity.

"The difficulty of obtaining full parity appropriations next year because of extraordinary defense outlays puts squarely before us the consideration of proposals to finance a parity program in the market place. I want to make it perfectly clear that today I am not going to make any recommendations as to future financing policy, official or otherwise, but I will give you my personal views on two possible methods for getting parity without large annual appropriations from the Treasury.

"I am not going to discuss the question of price fixing. Most schemes to peg farm prices by government decree fail to provide for the controls that are necessary to prevent surpluses from upsetting the kind of balanced agriculture we have built up so carefully. Price fixing would be feasible only if accompanied by careful adjustment, marketing quotas supported by high penalties, conservation, Ever-Normal Granary reserves, and other features of the present Triple-A program.

If all these things are added to price fixing, I believe there is a more desirable alternative. A high loan program, by comparison, would put a floor under prices without putting a ceiling over them. . . . Because of that advantage, among others, I am going to discuss the possibility of a high loan program rather than price fixing.

"Commodity loans can be raised to any percentage of parity that seems practicable. In effect, the loan guarantees the participating farmer a minimum price. At harvesttime he can obtain, in cash, the loan rate on the production of his acreage allotment. Moreover, since he retains title to his crop, the farmer can realize an additional gain by selling his product if the market price rises above the loan rate.

"Achieving parity through a high loan policy has a number of advantages.

"First, parity returns could be obtained without appropriations to provide funds specifically for parity payments.

"Second, all features of the entire farm program could be retained, and the existing machinery could be used to carry out the new policy.

"Third, it would be possible to bring participation in the program up to virtually 100 percent, provided marketing quotas were put into effect at the same time. If all producers were subject to marketing quotas, practically everyone would welcome commodity loans,

acreage adjustment, soil conservation practices, and all other advantages offered by Triple-A.

"One point which I want to emphasize very strongly is that marketing quotas and high penalties for noncompliance would be essential for a high-loan policy. Otherwise noncooperating farmers might expand their production and take advantage of the rise in market prices that would result from the loan program. If nonparticipation proved to be more profitable for very many farmers, the conservation and acreage adjustment programs would cease to be effective. There would be a grave danger of uncontrollable surpluses in the hands of both the Government and the farmer. Then the commodity loan program would suffer the same fate that the Federal Farm Board met when it tried loans without production control.

"I am convinced that we need about 90-percent participation at least to reap the full benefit from a Nation-wide conservation and acreage adjustment program. In order to get that degree of participation, there must be a wide margin of benefit which the cooperating farmer enjoys over the noncooperating farmer. One way to get that margin of difference and thus induce nearly all farmers to take full part in the agricultural program is to combine marketing quotas and high penalties with commodity loans.

"Another factor that would have to be taken into account in connection with a high loan policy is the problem of export payments.

Obviously, you cannot move any export crop into foreign markets at parity prices -- or at any price above the world price. Unless we are going to give up our farm exports altogether -- and I do not believe we can afford to do that -- it will be necessary to make subsidy payments as long as commodity loans keep the domestic price above the world price. The higher we raise the domestic price, the more we will have to pay to move export crops into foreign markets. Consequently, a high-loan policy would mean higher export subsidies.

"Under a high loan program, when the farmer received a fully adequate price in the market place, he would not require all of the allotment payments that he receives now. By that I mean he would not need the present 8-cents-a-bushel on his normal yield of wheat, or similar payments for corn and cotton, because he would be getting his price in the market place. Funds that are now made for planting within acreage allotments could be placed in a pool to be used to pay storage charges and to finance the export of loan stocks that did not move into domestic consumption. In the case of some commodities, especially livestock and dairy products, these funds could be used to increase domestic consumption. Under this program additional funds would also be available for increasing the payments for soil-conserving practices after the administrative expenses had been deducted.

"Now I want to discuss another plan that could be self-financing in the market-place -- the certificate plan. Its purpose would be to

assure producers of certain export commodities a parity return on the domestically consumed portion of their crop. Various specific measures have been worked out, but I am going to confine myself to the broad outlines of the proposal. Briefly, this is the way it would operate.

Marketing certificates would be issued to producers in proportion to the normal production of their acreage allotments. The value of the certificates would be based on a prescribed formula to take up some of the margin between the market price and parity. Manufacturers would be required to purchase certificates covering the amount of the commodity destined for domestic use, and they would have to return the canceled certificates to the Government. It might also be advisable to set up a revolving pool to buy certificates from farmers and sell them to manufacturers.

"In the present unsettled condition of the world, it seems to me that our consideration of a certificate plan must assume that it would be used in combination with a low loan policy, such as we have at present.

"Whether our loans are low or high, as long as we loan money on commodities at values higher than world prices, we must recognize that our program must provide for two things. First, some funds must be made available for getting rid of the stocks that accumulate under the loan, and there are only two places to do this -- in the domestic market and in the foreign market.

"Second, there would have to be marketing quotas and high penalties to prevent noncooperators from breaking down the program, unless the value of the certificates were high enough to guarantee a very high degree of cooperation without them. Under the certificate plan, if participation is to be entirely on a voluntary basis, the value of the certificate must be great enough to make it more profitable for a farmer to cooperate than not to cooperate.

"For certain crops the certificate plan has some of the advantages of a high loan policy. It would eliminate the need for specific appropriations for parity payments. It would permit retaining conservation, acreage adjustment, marketing quotas, commodity loans, and all other phases of the present farm program. It would strengthen participation in the Triple-A program.

"Under both the high loan policy and the certificate plan, I believe the program would require more control than at present. Under the loan policy we would have to depend, to a large extent, upon strict control to insure compliance. With the certificate plan there would be more inducement for voluntary compliance, but there would be a heavy administrative task in connection with certificate payments and collections.

"The certificate plan is suitable for export commodities that pass through centralized marketing or processing channels - such crops, for instance, as wheat, tobacco, and rice. For cotton, it might be less

suitable because of the large proportion of the crop that normally goes into the export trade. It is not adapted to corn, because most of the corn crop is either used directly on the farm or sold for feed. Corn-hog producers have found that the Loan and Ever-Normal Granary program for corn has been a great stabilizing force on hog production and prices. Undoubtedly, corn-hog farmers will want to consider a higher loan policy as a means of approaching parity prices.

"... No matter what plan is used to finance parity, no matter what additional changes may be necessary to adapt the farm program to new conditions, we must maintain a unity of purpose in the interest of agriculture and the Nation as a whole. Unless all farmers stand together in working for this larger objective, agriculture will suffer and the Nation will suffer too. In a democracy it is necessary to iron out personal disagreements and to harmonize group differences in order to achieve constructive action."

PROBLEMS AHEAD FOR AMERICAN FARMERS:

Extracts from a speech by R. M. Evans, Administrator of the Agricultural Adjustment Administration, at annual meeting of Farmers Grain Dealers Association of Iowa, Des Moines, Iowa, January 29, 1941

"For the coming season, emergency allotments are likelier than ever actually be necessary. We wanted to make doubly sure that the national preparedness program would not find even the slightest chance of any

possible shortage anywhere at any time. We are aware, however, that the unpredictable tide of world events may leave us with too many supplies on hand. Our defense precautions of today may require special measures of control and compensation for tomorrow.

"From the standpoint of corn-hog producers, all the factors in the current situation point unmistakably to one certain conclusion. In order to avert a serious crisis, we must hold down our corn acreage very closely this season, and if the crop is anywhere near normal we will have to ask for a referendum on marketing quotas for corn this fall. Let me tell you frankly what the alternative is.

"Failure to keep a tight control on corn acreage and failure to approve marketing quotas would mean a calamity every bit as serious as the situation in 1932. A corn loan would be impossible, and the price of corn would probably drop to 25 or 30 cents a bushel. Considering the trend of livestock prices, livestock production would tend to increase to the point where, in a year or so, beef and pork prices would have a disastrous sinking spell. The result would mean ruin for many farmers in the Corn Belt.

"It is not only the producers of corn and hogs who are in peril. Nor is the danger confined to the producers of feed grains and livestock. Wheat farmers face much the same prospect. When such a large part of agriculture is at stake, it is a matter of concern to businessmen in the cities and small towns who depend in large measure upon rural trade. In

short, it is a full-fledged national issue that we must meet with decisive action."

THE IMPACT OF WAR AND THE DEFENSE PROGRAM
ON AMERICAN AGRICULTURE:

Extracts from an address by D. F. Christy,
Assistant Director, Office of Foreign Agri-
cultural Relations, at Purdue University
Agricultural Conference, Lafayette, Indiana,
January 15, 1941

"Our policy of Hemisphere solidarity is not a new one. It dates back to the Monroe Doctrine of nearly 120 years ago. We wish to maintain it. We do not want any foreign powers in control of the governments of any of the Latin American countries. These foreign powers provide a sufficient threat with the oceans between us. . . . We must, therefore, devise ways and means of preventing foreign powers from gaining economic domination over any of our southern neighbors, for that is the entering wedge for political control and, eventually, military subjugation.

"Unfortunately, many of the Latin American countries are particularly susceptible to the methods used by the Axis powers, because their economies depend upon the exportation of products needed by the industrial countries of the world, among which we find Germany, Italy and Japan. Our problem, therefore, is to devise ways of preventing the agricultural exporting countries of Latin America from coming first under

the economic and eventually the political domination of overseas aggressors.

"Does this mean that we are going to absorb the agricultural surpluses of Latin America? Does it mean, for example, that we shall be flooded with Argentine wheat and corn and Brazilian cotton and tobacco? Apparently many American farmers fear this. I can assure you, however, that no such proposal has ever come from any responsible official of the Federal Administration.

"After all, the current Hemisphere surplus problem is largely war-created. It will, in all likelihood, diminish in importance after the war, but it will not entirely disappear. As a long-time program we should attempt to bring about cooperation between the leading exporters of important commodities in such a way that they will not have to dispose of their products in a buyers' market. This does not mean that we intend to hold up the consumers in the importing countries. Rather, it means that in the event the importing countries maintain centralized governmental control over their buying policy, the exporting countries of this Hemisphere, at least, will present a united front in selling their surpluses. Only in this way can we prevent the buyer from playing one seller against the other to the detriment of all.

"The program discussed above would not of course increase Hemisphere trade because it applies primarily to products of which both North and South America have surpluses. There are, however, a number of

other products we could import from Latin America in increasing quantities for a beneficial effect all around. An analysis of our trade with Latin America makes more clear these possibilities. . . .

" . . . Agricultural imports from Latin America . . . can be divided into two broad groups. First, there are those commodities which we cannot and do not produce in the United States; in other words, tropical products such as coffee, bananas, cocoa and certain fibers. These we describe as complementary products. Over half of our agricultural imports from Latin America consist of these complementary products which do not compete with our own farm products.

"The second group we label supplementary products. They constitute somewhat less than half of our agricultural imports from Latin America and consist of commodities produced in the United States or which can be readily substituted for some of our domestic products. Generally, domestic production of these commodities is not sufficient to cover fully our own requirements. Among the leading supplementary products are sugar, vegetable oils, oilseeds, cattle hides, certain types of wool and cigar tobacco. In years of extreme drought we have also found it desirable to import food grains from Latin America.

"Because of probable shifts in our own agriculture resulting from the need to reduce our production of commodities for which export markets no longer exist we can probably anticipate an increase in domestic production of some of the supplementary items now imported

from Latin America. Nevertheless, we will probably continue to import many of these items with beneficial effects. If, for example, we attempted to supply from domestic sources all the leather we needed, we would have to develop a breed of cattle that produced two hides rather than one, or else we would have a gigantic surplus of beef.

"Since it cannot be expected that we will increase our purchases of supplementary goods from Latin America, it is fortunate that that area supplies and is a potential source of even greater supplies of complementary or non-competitive tropical products. Many of these products we now obtain from the Far East. By buying them from Latin America we would not only increase our trade with that area but the shift to a nearer source of supply would be an important element of national and hemispheric defense.

"By far the most important of these complementary products is rubber, of which the United States is the world's largest consumer. At the present time we obtain practically all our rubber from the Netherlands Indies and British Malaya at an annual expenditure of over \$160,000,000. What we propose to do is to encourage production of rubber in Latin America which, as a matter of fact, is the native habitat of that tree and the source from which the plantings in the Far East originally came.

"Under appropriation from Congress the Department of Agriculture is now engaged in surveying tropical Latin America in order to ascertain

the areas in which rubber can be profitably grown. Survey parties have been in the field for several months and are expected to return soon with their findings. Experimental plantings have already been made in several areas and various Latin American countries themselves are actively forwarding this program.

"But there are numerous other complementary products which we can obtain from Latin America. They include cinchona bark, from which quinine is made; abaca or Manila fiber, valuable for the making of ropes for the navy; rotenone-bearing plants which are extremely valuable for insecticidal purposes; kapok, necessary for insulation; coconuts; camphor and tea. In 1932 the United States imports of these products together with rubber were valued at about \$235,000,000 of which only \$16,000,000 or about 7 percent, represented imports from Latin America. Shifting our purchases of these products to Latin America is one sure way of increasing our trade with that area, because the dollar exchange created thereby will find its way back into the United States.

"I have already pointed out that it would not increase competition with our own agriculture and that Latin American countries offer little prospect for export outlets for our own agricultural surpluses. They are, however, good customers for our industrial products and they would be even better customers if we increased our purchases of complementary products from them. Obviously, increased sales of industrial products to Latin America would speed up the wheels of American

industry and thereby increase the purchasing power of industrial workers for the products of our farms. The benefits of this development, however, as is the case with our Defense Program, would accrue largely to those farmers producing commodities intended primarily for the domestic market, but it would help to absorb some of the increase in the production of such commodities that is expected to result from a shift away from export products and into the production of products for the domestic market."

PROBLEMS AND POSSIBILITIES UNDER MARKETING
AGREEMENT PROGRAMS:

Extracts from an address by Dr. E. W. Gammitt,
Assistant Administrator, Surplus Marketing Ad-
ministration, at State College Farm and Home
Week, Ithaca, New York, February 12, 1941

". . . The marketing agreement and order program set up under the Agricultural Marketing Agreement Act of 1937 is an integral part of (the) national farm program. . . . The marketing agreement programs regulate the handling of agricultural commodities in interstate and foreign commerce. They operate through marketing agreements and orders issued by the Secretary of Agriculture after a full consideration of the problems involved at public hearings. Before the order is made effective, it is submitted to producers for approval or rejection and the marketing agreement is submitted to handlers for assent.

"The orders and marketing agreements apply only to dealers, or handlers as they are called in the act. They do not regulate farmers in their capacity as farmers. What they do provide is machinery so that farmers may deal more effectively with the marketing of their product after it has been produced. They do not insure the producer a market for his product or attempt to direct him on the quantity he may produce or market.

"The program for milk differs from that of other commodities in that the act provides for the fixing of minimum prices to be paid producers. In the programs for the various other crops, prices are maintained by regulating the shipments of the product to market so that the surplus will not depress prices unnecessarily or in a disorderly manner. In connection with many of the programs there are attempts to eliminate some of the surpluses through purchases by the Federal Government. . . .

". . . The most important provision of any milk order is that which sets forth the price which producers shall receive for the product. The fixing of that price involves some very delicate decisions. . . It would appear easy to producers for the Secretary to solve the milk problem by arbitrarily fixing higher prices to be paid them. . . The act sets forth the only standards and factors which the Secretary can and must consider in fixing prices. But even if it were possible under the act to fix higher and higher prices the answer is not so simple. Many other

parties are involved than the producers of a particular milkshed. It must be realized that high prices in a milkshed will tend to increase production. If that production is more than is necessary to supply the needs of the market, then the surplus will have to flow over into other markets. This brings into the picture the prices received by producers in the markets to which the milk went. In some cases it even involves the prices received by producers in other sections of the country who had been supplying dairy products to those markets.

"Whenever prices are established high enough for the most inefficient farmer to stay in business and show a profit, then the average and highly efficient farmers will show large profits and tend to expand their production. Furthermore, producers in other sections of the country will endeavor to find some entry into the market.

". . . All producers producing milk sold in, or qualified for sale in, a marketing area must be included under the program. This has caused much concern among producers who have long been supplying a given market and have been in the habit of considering the market as exclusively theirs. They have considered the receipts of milk from outside what they considered the normal milkshed as a menace and an unstable marketing condition. . . . But the Federal Government must be interested in the welfare of all producers. It has always been the policy and should continue to be the policy of the Federal Government not to restrict entry of any producers into a market for which they have qualification.

"So far the necessity of reducing prices in our milk marketing programs has not been especially acute because for the most part it has been necessary to increase prices. It is probable that the pressure will not be too severe in the next few years because it would not be quite reasonable, if prices of other commodities increase, to restrict or prevent fluid milk prices from increasing. The question will arise, however, in determining the rapidity and extent to which price increases should be made. The danger of too rapid or too sharp an increase in price is as great as maintaining a high price when a decrease is indicated by the supply and demand conditions.

"The problem of fixing correct Class I or fluid milk prices is no less complex than that of fixing correct prices for surplus milk. Producers, I fear often do not give sufficient attention to surplus milk prices. In some markets where surplus milk represents a large percentage of the total supply, the changes in those prices often have as much or more influence on the net price received by producers than a change in the Class I price. . . .

"The price for surplus milk must be low enough to induce dealers to take the milk and not throw it back on the producers. Many dealers are engaged in fluid milk distribution exclusively and do not want to be bothered with the handling of any milk above their needs for that trade. On the other hand, surplus prices should not be so low that handlers are not paying the real value for the butterfat and skim milk.

"The problem of handling surplus milk has been one of the principal reasons for the growth of cooperatives who operate their own plants. Through such means cooperatives have been able better to insure their producers of a market and, at the same time, the producers are better assured that they will receive the full value of their product.

"A sound growing cooperative has been found, in our experience, to be almost essential if producers are to have a sound marketing program. Not only by handling the surplus milk can these cooperatives render services to their producers and to the market, but they can also maintain control over the allocation of milk to handlers, so that the fullest utilization of milk can be obtained. . . .

"It is just as essential that a cooperative be efficient in handling milk as it is that a proprietary handler be efficient. If surplus prices are low enough to keep inefficient cooperatives in business, then these cooperatives are performing no effective service for producers. Quite the opposite, they are in effect an expense to producers. If the members of such an operating cooperative do desire to continue their handling enterprise at a loss, then they should have some true measure of the actual cost of such an investment.

"These problems which I have discussed with you are just a few of too many. Although they are incidental to the principal work of establishing a fair return to producers, they are most important. They

must be worked out satisfactorily and equitably if the milk marketing agreement and order program is to continue. A house built on a weak frame cannot stand through the years. A price built without proper support cannot be maintained."

WEAK AND STRONG FEATURES OF OUR FARM POLICIES:

Extracts from an address by Claude R. Wickard,
Secretary of Agriculture, at National Farm Insti-
tute meeting, Des Moines, Iowa, February 22, 1941

". . . Through the years, we have developed a rounded farm program, one that is serving the farmers and the nation in many ways. These programs, like all things fashioned by human beings, are imperfect. They must change as circumstances change. The second World War is raging and shaking the earth with its fury. What then is the situation of agriculture today and what do we need to do to more nearly meet the needs of farmers?

"Prior to 1939, our plans for agriculture did not take a second World War into account. The War upset our calculations. It accelerated certain trends in agriculture and instead of the problems growing up gradually, they have become full grown and very tough overnight. For example, exports had marched gradually down hill for years but a few months of this war stopped foreign sales of farm products almost completely. Whether we will ever regain them is a question. Certainly

their return is unlikely in the event of a Nazi victory. If Britain triumphs, we might begin to sell our cotton, wheat, lard and other farm products overseas in something like their pre-war volume. . . . One thing is certain. The export markets for farm products are gone for the present.

". . . Only Britain remains as a buyer and England, for strategic, political and other reasons, is buying most of her farm products elsewhere. Now this situation, so far as Britain is concerned, may change as the war goes on. If so, we have food on hand for England and for ourselves too, but I see nothing to indicate that we will get rid of burdensome surpluses of some of our export crops any time soon.

"Neither the war nor the defense program will be the answer to agriculture's prayer for equality with labor and industry. Defense spending will help farmers, and its effects on dairy products, fruits and vegetables, and meats is apparent. Only the crumbs fall to other farmers and meanwhile the prices of non-farm products are mounting.

". . . We need to take action as soon as possible to increase farm income. Speaking for myself alone, I feel confident that we can take effective steps to increase farm income and can do it without fundamental changes in the present farm programs.

"These steps, however, would require discipline among farmers and a willingness to protect their programs. . . . Within the next few

months producers in the West and Middle West may vote on marketing quotas for corn and wheat. Marketing quotas mean adjustment and adjustment in the case of corn and wheat is likely to mean some reduction. In line with the democratic processes, the choice will be up to farmers. If they wish to continue the loans, for example, farmers must approve the quotas. In my opinion this is as it should be.

"In talking about the future, let's not overlook the very real accomplishments of the farm programs. Parity is still some distance ahead but it would be altogether out of sight if it were not for the programs. If there is any doubt about the meaning of the programs in terms of dollars and cents, let's look north to Canada or south to Argentina. Canadian farmers grew so much wheat in 1940 that they had to store lots of it on the ground. And down in Argentina corn has been so cheap that they have been burning it as fuel.

"Through self-imposed discipline, American farmers have avoided the experience of Canadian and Argentine producers. Perhaps the way out in the period ahead lies in sterner self-imposed discipline. If farmers know the realities of their situation and if they are willing to keep their production in line with market demand, it should not be too difficult to assure them a reasonable price for what they do grow.

"The sole answer to our loss of foreign markets isn't to reduce production. Farmers could get parity prices for a greatly decreased production and still be a long way from parity income. Whether they

lose or keep the foreign market, farmers must try to increase consumption in their best market--the domestic market.

"I am proud of the fact that the Department of Agriculture has helped take the lead in the effort to increase domestic consumption . . . The food and cotton stamp plans, the school lunch program, and other Federal programs to increase consumption benefit farmers as well as consumers. In reality we can't benefit one group without benefiting the other.

"The stamp plan has been worked out so as to make it certain that farmers will benefit. For the sole purpose of increasing farm income, two kinds of stamps are sold. Orange colored stamps are sold to make certain that families participating in the program buy as much food as they did before the stamp plan started. The blue colored stamps, given free, are good for only a restricted list of farm surpluses. Therefore, the plan makes possible a net increase in the amount of food that is bought and eaten. Farmers are guaranteed a new market for their products at the same time the underfed are assured a diet which improves their health and strength.

"Some persons fear that the programs to increase domestic consumption may be at the expense of farmers. I do not share this fear. Increasing domestic consumption is one effective means of raising farm income. These programs are a part of the over-all program for agriculture and they have their place just as the loan programs and other programs have their place in this over-all program.

"In the period just ahead certain paths seem fairly well defined. These include further efforts to raise the income of farmers; to adjust price depressing surpluses and to increase domestic consumption. Other paths are just as well defined and some of these I intend to mention a little later. But we right as well recognize that some of the steps which I have indicated, in turn, create new problems or intensify old ones.

"For example, let us study the effects that a further adjustment of acreage may have for the great export crops. Perhaps a further reduction in cotton and wheat acreage could be made without the such disruption of farms or farmers but cotton is something else again.

"No doubt, most of you have heard the ill of the cotton farmer told and retold. About fifty percent of all farm people live in 13 Southern states but they receive only 30 percent of our already inadequate national farm income. In 1939, the gross income from farm production on a per capita basis amounted to \$740 here in Iowa. In that same year gross income from farm production on a per capita basis amounted to only \$154 in South Carolina, \$155 in Mississippi, \$150 in Georgia and \$111 in Alabama. The poor in our cities aren't the only ones who need farm products.

"Along with every effort to raise farm income, Southern farmers should grow more food for their own use. . . . Here in the Middle West, we right as well recognize that all indications are that the

South, in the future, will grow more hogs, raise more corn and wheat and produce more livestock and dairy products generally. The South will grow more of these products even if it gets quite a bit of its cotton market back. . . .

"Yet a sizeable increase in Southern production of food and feed crops is desirable from every standpoint. For health's sake, Southern farm families need to drink a lot more milk and eat more lean meats and fresh vegetables. The competition from Southern livestock and dairy producers isn't going to bother other sections very much because from a competitive standpoint, it won't amount to much. We cannot deny people in other sections things that we insist upon having ourselves, nor do we want to deny them these things. Most farmers I have talked to take a broad common sense view of this entire matter. . . .

"Frankly speaking, there is little likelihood that we will produce too much meat, butter, cheese, milk and other dairy products in the months to come. I have an idea that all we produce in the South and elsewhere will be needed. The reports about the British food situation are not too encouraging. The British have lost their sources of food supply on the continent. They are handicapped still further by their shipping losses. The English may want some of our food and want it pretty soon. If they call on us, I think we will answer the call. . . .

"I have mentioned only a few of the Department programs. Some of them have such wide public acceptance that they have come to be taken

for granted. For example, there is little question that our soil and forest conservation programs should be continued and strengthened. . . .

"The principles behind the programs of the Farm Security Administration also have wide acceptance. . . . Farm Security has done a rescue job. It has kept thousands of families off relief; kept them off at a saving to the taxpayer and has helped make many of the families self-supporting at the same time. Nevertheless, tenancy remains a problem. We need security of tenure, longer term leases. These will help the people and the soil. And we need, in my opinion, an expansion of the tenant purchase program and any steps that will give farmers a sound and more serviceable credit system.

". . . Already nearly 700,000 farms and other rural users are connected to REA power lines operated by farmer cooperatives. In six years we have tripled the number of farms served by electricity. This has been done in the face of bitter opposition from some elements in the power industry. We will continue the job no matter what the opposition to this bringing of civilized comfort and efficiency to farm homes.

"Many programs have been undertaken in the past eight years. . . . Naturally, since 1935, there has been some confusion, some duplication and some waste. . . .

"The Department has tried to improve its methods and administration. Many of you are familiar with what we have done, including some of the recent steps made: County land planning and new types of coordination within the Department.

"Nevertheless there undoubtedly is room for improvement. The Department welcomes specific criticisms. When criticisms are found to be justified, we will move to improve conditions. We have a duty to all the farmers and all the taxpayers to do the best job we can. We are hired men and the farmers and the people of the country generally are our employers. We must operate the farm programs for the service of all farmers -- cotton growers, wheat growers, tobacco growers, dairymen, and so on. We do not and we cannot operate them for special service to any group of producers, or members of any single organization.

"Critics of the administration of the farm programs should keep certain principles in mind. I regard these principles as fundamental to the administration of national programs for agriculture. They are fundamental regardless of the party in power and regardless of the person who happens to be Secretary of Agriculture. Let me state them as simply as I can.

"So long as the responsibility for carrying out national farm programs rests with the Department of Agriculture, the responsibility for administration should rest with the Department. To have the responsibility but not the authority necessary to meet the responsibility means confusion, duplication, waste and failure.

"The Congress enacted legislation for national farm programs only after time had proved the inability of the agencies and methods then

existing to get the job done. The forces that caused the problems were national in scope. They crossed state lines like the weather. So the programs to meet the problems had to be national in scope.

"But the centralization of authority does not mean the centralization of administration. During the past eight years, farmer committees have proved their ability as skillful and efficient administrators. As time goes on, they should and will be given more and more authority in the communities and counties but, in the last analysis, the responsibility for getting the job done lies with the Federal government.

"The remedy for failure of the government to do the job or to obey the wishes of the people lies with the people. In a democracy, the citizens have the power to change their servants at will. It is a privilege that is lacking in the totalitarian states.

"The challenge to democracy today is so threatening that we should be careful not to waste our time or strength in needless differences or disputes. If over agriculture needed a united front, it needs one now. We need a united front to see to it that agriculture does not go through the wringer during and after this war as it did after the first World War. As compared to other groups, the situation of farmers today isn't too favorable . . .

"This is not to say, of course, that farmers place their group interest above the national interest. As American citizens, farmers

will continue to make the national interest the final guide to their actions. . . . Farmers will continue to produce in abundance whatever is needed for us and for the people of the other democracies. Like the other producing groups in the nation -- labor and industrial management and finance -- all they ask is a fair return for their contribution."

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