

## DEPARTMENT OF AGRICULTURE

### INTRODUCTORY STATEMENT

The Secretary of Agriculture has under his general direction and supervision seven wholly owned Government corporations—Commodity Credit Corporation, Federal Crop Insurance Corporation, Federal Surplus Commodities Corporation, Federal Farm Mortgage Corporation, Federal Intermediate Credit Banks, Production Credit Corporations, and Regional Agricultural Credit Corporation. In addition to the wholly owned Government corporations for which business-type budgets are submitted, there are two types of corporations within the Department of Agriculture which, under the act, are termed mixed-ownership corporations—Federal land banks and banks for cooperatives. The plans of these mixed-ownership corporations for the return or retention of Government funds during the fiscal year 1947 are included in this chapter of the budget in accordance with the provisions of section 204 of the Government Corporation Control Act.

The Commodity Credit Corporation is engaged in a price support program, a subsidy program, a commodity export program, a foreign purchase program, and a supply program. The Federal Crop Insurance Corporation makes available broad protection against loss to producers of cotton, wheat, and flax. Insurance to pro-

ducers of corn and tobacco is being extended on an experimental basis. The operations of these two corporations are conducted through the Production and Marketing Administration of the Department of Agriculture. The Federal Surplus Commodities Corporation's activities as an agency of the Government were terminated June 30, 1945. No programs have been initiated since that date and the liquidation of its affairs will be administered through the Production and Marketing Administration.

The Federal Intermediate Credit Banks, Production Credit Corporations, and the Regional Agricultural Credit Corporation, together with the cooperatively owned Federal land banks and banks for cooperatives, and the closely allied Federal Farm Mortgage Corporation are engaged in providing credit to farmers and farmers' cooperatives. The operations of these corporations are supervised and examined by the Farm Credit Administration.

A budget program for the Farmers' Home Corporation, authorized as an agency of and within the Department of Agriculture by section 40a, title IV, of the Bankhead-Jones Farm Tenant Act (7 U. S. C. 1014a), is not presented. This Corporation has not been organized, nor is its activation contemplated during the fiscal year 1947.



## COMMODITY CREDIT CORPORATION

### CREATION AND PURPOSE

The Commodity Credit Corporation was created under the laws of the State of Delaware pursuant to Executive Order 6340, dated October 16, 1933, issued by virtue of the authority vested in the President by section 2 (a) of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 195). The act of January 31, 1935 (49 Stat. 1), directed that the Corporation should "continue until April 1, 1937, or such earlier date as may be fixed by the President by Executive order, to be an agency of the United States." The Corporation has been continued until June 30, 1947, as an agency of the United States by successive amendments to the act of January 31, 1935 (50 Stat. 5, 53 Stat. 510, 55 Stat. 498, 57 Stat. 566, 57 Stat. 643, 58 Stat. 105, 59 Stat. 50; 15 U. S. C. § 713 (1940) Supp. IV). By Section 401 of the President's reorganization plan No. 1 (5 U. S. C. § 133t, note (1940)) the Corporation was made a part of the United States Department of Agriculture, and its operations were placed under the supervision and control of the Secretary of Agriculture.

The charter of the Commodity Credit Corporation authorizes the Corporation, among other things, to engage in buying, selling, lending, and other activities with respect to agricultural commodities, products thereof, and related facilities.

These charter powers have enabled the Corporation to engage in extensive operations for the purpose of increasing production, stabilizing prices, assuring adequate supplies, and facilitating the efficient distribution of agricultural commodities, foods, feeds, and fibers to meet the needs of the war emergency. These operations of the Corporation group themselves into the following major types of programs: A price support program; a foreign purchase program; a subsidy program; a supply program; a commodity export program; and a loan program for agricultural conservation purposes. Many of the Corporation's operations have been carried out in response to specific Congressional mandates. Furthermore, in carrying out its operations, the Corporation has been subject to certain specific limitations placed upon it by the Congress.

The Corporation's price-support operations have been shaped largely by legislation making it mandatory upon the Corporation that it provide price support for certain agricultural commodities through loans, purchases, and other operations. Thus section 8 of the Stabilization Act of 1942, as amended (56 Stat. 767, 58 Stat. 643, 59 Stat. 306; 50 U. S. C. App. § 968 (1940) Supp. IV) requires, with certain exceptions, that loans be made to producers upon any crop of the basic commodities—cotton, corn, wheat, rice, tobacco, and peanuts—harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the first day of January immediately following the date upon which the President, by proclamation, or the Congress, by concurrent resolution, declares that hostilities in the present war have terminated. The rate of the loan is required to be 90% of parity in the case of all of the basic commodities other than cotton and 92½% of parity in the case of cotton.

In addition, the act of July 28, 1945 (59 Stat. 506) provides a special formula for the determination of the loan rate in the case of fire-cured, dark air-cured, and Virginia sun-cured tobacco. Section 8 of the Stabilization Act of 1942, as amended (*supra*), superseded the loan provisions of the act of May 26, 1941, as amended (55 Stat. 205, 55 Stat. 860; 7 U. S. C. §§ 1330, 1340 (1940) Supp. IV), which required loans to be made at the rate of 85% of parity upon the 1941, 1942, 1943, 1944, 1945, and 1946 crops of the basic commodities.

Section 4 (a) of the act of July 1, 1941, as amended, the so-called Steagall Amendment (55 Stat. 498, 56 Stat. 768; 15 U. S. C. § 713a-8 (a) (1940) Supp. IV; 50 U. S. C. App. § 969 (1940) Supp. IV), requires the Corporation, during the same period for which loans are required to be made upon the basic commodities, to provide through loans, purchases, or other operations, price support at not less than 90% of the parity or comparable price for producers of the nonbasic agricultural commodities for which the Secretary of Agriculture, by formal public announcement, has requested an expanded production for war purposes. The "Steagall" commodities are: Hogs, eggs, chickens and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

Legislation enunciating the policy of Congress with respect to price support for commodities other than basic commodities or Steagall commodities is found in section 4 (b) of the act of July 1, 1941 (55 Stat. 498; 15 U. S. C. § 713a-8 (b) (1940) Supp. IV). Section 4 (b) declares it to be the policy of Congress that the lending and purchase operations of the Department shall be carried out so as to bring the price and income of the producers of such commodities to a fair parity relationship with the basic commodities and the Steagall commodities to the extent that funds for such operations are available after taking into account the operations with respect to basic commodities and Steagall commodities and the ability of producers to bring supplies into line with demand.

Legislation placing restrictions upon the Corporation's operations has related for the most part to the disposition of agricultural commodities and to the payment of subsidies for the purpose of maintaining price ceilings.

For the last several years the annual Department of Agriculture appropriation acts have contained a provision which prohibits, with certain exceptions, the disposition by the Commodity Credit Corporation of farm commodities at less than the parity or comparable price. The latest act continuing the Commodity Credit Corporation as an agency of the United States, the act of April 12, 1945 (59 Stat. 50), imposes for a period of 2 years after the war virtually the same prohibitions as those contained in the annual agricultural appropriation act. The provisions of law which have restricted the disposition of farm commodities by the Commodity Credit Corporation have, however, also contained certain exceptions to these restrictions. They permitted the disposal of any commodity below the parity or comparable price if it has substantially deteriorated in quality or if there is danger of loss or waste through

spoilage. Also, wheat may be sold for feed at less than parity but not less than the parity price for corn. In addition, farm commodities may be sold below parity or the comparable price if they are sold for seed or are sold for new or byproduct uses or, in the case of peanuts, for the extraction of oil.

The Surplus Property Act of 1944 (58 Stat. 775; 50 U. S. C. App. § 1630 (1940) supp. IV) also contains a significant exception to the restrictions applicable to the disposition of farm commodities. That act authorizes the Corporation to dispose of or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit for export only and at competitive world prices any farm commodity or product thereof without regard to restrictions with respect to the disposal of commodities imposed upon it by any other law. No food or food product may, under the act, be exported if there is a domestic shortage or need of any such food or food product.

Section 2 (e) of the Emergency Price Control Act of 1942, as amended (58 Stat. 634; 50 U. S. C. App. § 902 (e) (1940) Supp. IV), prohibited the Corporation on and after June 30, 1945, from engaging in subsidy operations for the purpose of maintaining price ceilings. This prohibition, however, was relaxed by section 3 of the act of April 12, 1945, as amended (59 Stat. 50; 59 Stat. 506), which authorized the Corporation to engage in subsidy operations within specified limitations.

The Congress has also taken action to make certain that Commodity Credit Corporation would not suffer losses in connection with its operations undertaken to supply other Government agencies with their food requirements. Thus section 4 of the act of July 16, 1943 (57 Stat. 566; 15 U. S. C. § 713a-9 (1940) Supp. IV) requires that the Corporation be fully reimbursed for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of any Government agency, from the appropriate funds of such agency.

A further restriction upon the Corporation's operations is the requirement contained in section 7 (a) of the act of June 22, 1936 (49 Stat. 1647; 15 U. S. C. § 712a (1940)) that the Corporation obtain an annual authorization from Congress for its administrative expenses.

In addition, the Congress has limited the period during which the Corporation is authorized to function as an agency of the United States. This restriction has made it necessary to obtain Congressional action at least every 2 years authorizing the Corporation to continue as an agency of the United States. The act of April 12, 1945 (59 Stat. 50) continued the Corporation as an agency of the United States until June 30, 1947.

The Secretary of Agriculture, who, pursuant to Executive Order 8219, issued August 7, 1939 (4 F. R. 3565), represents the United States as the sole owner of the capital stock of the Commodity Credit Corporation, establishes the bylaws of the Corporation, and elects the members of the board of directors and other officials of the Corporation. The Corporation is managed by an active board of directors, of which the Secretary of Agriculture is chairman. The activities of the Corporation are carried out through the facilities and personnel of the Production and Marketing Administration of the Department of Agriculture. The members of the board of directors, other than the Secretary of Agriculture, are the under secretary of Agriculture, the assistant secretary of Agriculture, and five policy-making officials of the Production and Marketing Administration. The officers of the Corporation are also officials occupying responsible positions in that administration.

#### FINANCIAL ORGANIZATION

The Commodity Credit Corporation was originally capitalized for \$3,000,000, subscribed by the Secretary of Agriculture and the Governor of the Farm Credit Administration. The funds for such subscription were derived from the appropriation authorized by Section 220 of the National Industrial Recovery Act (48 Stat. 210) and made by the Fourth Deficiency Act, fiscal year 1933 (48 Stat. 274). In accordance with the act of April 10, 1936 (49 Stat. 1191; 15 U. S. C. 713a (1940)), the Corporation's capitalization was increased to \$100,000,000, the additional \$97,000,000 of the Corporation's stock being acquired by the Reconstruction Finance Corporation. By section 3 of the act of March 8, 1938 (52 Stat. 107; 15 U. S. C. § 713a-3 (1940)), the Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation were directed to transfer the ownership of the stock of the Corporation to the United States. That section also provided that all rights of the United States arising out of the ownership of such stock should be exercised by the President of the United States or by such officers or agencies as he might designate. Executive Order No. 8219, issued August 7, 1939 (4 F. R. 3565), transferred to the Secretary of Agriculture the authority to exercise on behalf of the United States all rights arising out of the ownership of the stock of the Commodity Credit Corporation. The act of March 8, 1938, as amended (52 Stat. 107, 55 Stat. 498; 15 U. S. C. 713a-1 (1940) supp. IV), provides for an annual appraisal of the Corporation's assets by the Secretary of the Treasury. The Secretary of the Treasury is directed to restore the amount of any capital impairment disclosed by the appraisal from appropriations made for that purpose (52 Stat. 107; 15 U. S. C. 713a-1 (1940) supp. IV) and the Corporation is directed to pay into the Treasury the amount of any net worth in excess of \$100,000,000 (52 Stat. 107; 15 U. S. C. 713a-2 (1940)).

The act of March 8, 1938 (52 Stat. 108), authorized the Corporation, with the approval of the Secretary of the Treasury, to issue and have outstanding bonds, notes, debentures, and similar obligations in an aggregate amount not to exceed \$500,000,000, fully guaranteed as to principal and interest by the United States Government. The borrowing power of the Corporation was increased by successive amendments to the act of March 8, 1938 (53 Stat. 510, 54 Stat. 782, 55 Stat. 498, 57 Stat. 566, 59 Stat. 50; 15 U. S. C. 713a-4 (1940) supp. IV), and now, by virtue of the act of April 12, 1945 (59 Stat. 50), the Corporation is authorized to borrow \$4,750,000,000 on the credit of the United States. On June 30, 1945, obligations outstanding amounted to \$2,224,141,879. It is not contemplated that operations during the fiscal year 1947 will require any increase in the Corporation's borrowing powers. A statement of the condition of the Corporation is shown immediately following the textual material (exhibit C).

#### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The budget of the Corporation is based on six distinct types of programs carried out under corporate and other specific authorities. These types of programs are:

1. Supply program.
2. Foreign purchase program.
3. Price support program.
4. Commodity export program.
5. Subsidy program.
6. Loan to the Secretary of Agriculture.

Basically these types of programs are not entirely independent. Purchases under the supply program may reduce or completely absorb the visible surplus of an individual agricultural commodity and in some instances make it unnecessary to carry out a price support operation in connection with that commodity under the price support program. The supply and commodity export programs also provide outlets for commodities acquired under the price support program which, if they were not so disposed of, would have to be held by the Corporation until suitable outlets could be developed.

During the war a large part of the operations of the Corporation consisted of the procurement of supplies of agricultural commodities and products thereof, foods, and related facilities needed for the armed services, lend-lease, and the support of our wartime economy. Wherever possible, price support operations were directed toward bringing forth the production needed to fulfill such needs. The level of support prices was established not only with a view to meeting minimum legal requirements but also to bringing about desirable shifts in production and obtaining the needed volume of production. One of the largest operations was the general commodity purchase operation under which supplies of agricultural commodities were purchased and pooled to meet the collective requirements of the military, lend-lease, Red Cross, UNRRA, and other agencies with similar requirements. It was also necessary to encourage the production of certain commodities not normally produced in the United States in great volume and to undertake purchases of agricultural commodities in foreign countries. During this period price support operations were carried out in large part by purchases rather than by loans in order that commodities to be acquired under these programs might be readily available to fill wartime needs.

#### BASIC ASSUMPTIONS

Budget estimates for operations of the Commodity Credit Corporation during fiscal year 1947 reflect a continuation of the current transition period from the wartime operations of the Corporation through the most acute phase of the present world food shortage and into the beginning of a period when operations of the Corporation will consist primarily of carrying out the postwar agricultural price support commitments of the Government. The wartime operations of the Corporation are being largely liquidated during fiscal year 1946. This fact, together with reduced need for price-support operations, largely accounts for a decrease of about \$716,000,000 in the application of funds in 1946 compared with 1945. The estimated application of funds for 1947 reflects a further decrease of approximately \$1,203,000,000 as compared to the aggregate for 1946, with increases in price-supporting loans about offsetting decreases in price-supporting purchases.

The budget estimates assume reasonable stability in the general level of commodity prices, both agricultural and nonagricultural, and the maintenance of a national income near the current level. If the general price level were to rise sharply and result in increases in the parity index, support prices would rise because they are required by law to be at a specified percentage of parity prices. When the general price level rises, farm prices usually rise more rapidly than do parity prices. If this should occur, the volume of commodities acquired by the Corporation under price-support programs would decline; commodities which the Corporation owns would be sold at higher prices; and the losses of the Corporation would be

reduced. Due to the higher level of support prices, however, the Corporation might need to use more funds in carrying out its purchase and loan programs. In this respect, therefore, the estimates of funds required might prove inadequate. If, on the other hand, there should be a substantial decline in national income and consumer purchasing power from current levels, the estimates probably would likewise be inadequate because the increased volume of commodities acquired under price-support operations would very likely more than offset any decline in the level of support prices. For the purpose of the budget estimates, it is also assumed that procurement of food and agricultural commodities by the Corporation for supply purposes will continue at the present level only so long as the world food supply is acutely short and foreign governments and UNRRA cannot conduct their own procurement operations as advantageously as the Corporation can do it for them. Moreover, it is assumed that before the end of fiscal year 1947 the worst phase of the world food shortage will come to an end and food supplies in this country will become sufficient to warrant termination of centralized procurement for export. Under the assumed circumstances there will be some increase in the use by farmers of the price-support program of the Corporation, and this will take the form of an increased volume of loans but a decreased volume of purchases since there will be less occasion for conducting price-support operations with a view toward helping meet supply program requirements.

#### SUPPLY PROGRAM

Under its general supply program the Corporation procures foods, agricultural commodities, and products thereof, and related materials for the purpose of supplying the requirements of United States Government agencies, including lend-lease, cash-paying foreign governments, American Red Cross, UNRRA, and other similar organizations. The centralization of such procurement operations in the Corporation not only has made possible increased efficiency through pooled operations but also has enabled such operations to be conducted in a manner that provides maximum benefit to American agriculture in that the procurement is closely coordinated with the price support program. The Corporation's procurement operations are conducted in accordance with procedures and policies that are calculated to assure the Corporation against loss. In this connection, the Congress by section 4 of the act of July 16, 1943 (57 Stat. 566; 15 U. S. C. § 713a-9 (1940) Supp. IV) specifically required that the Corporation be fully reimbursed for services performed, losses sustained, and operating costs incurred or commodities purchased or delivered to or on behalf of any other Government agency. The Corporation also procures or aids in the procurement of supplies and facilities needed by farmers in connection with the production, handling, and marketing of agricultural commodities and their products, such as feed, seeds, grain bins, cotton bagging, fertilizers, and insecticides. It also procures or aids in the procurement of foods, agricultural commodities, and products thereof in order to facilitate distribution or to meet anticipated requirements during periods of short supply. The Corporation's general supply program is carried out under its charter authority to purchase, sell, or otherwise deal in agricultural commodities and products thereof and related materials and to engage in activities in connection with production, handling, and marketing thereof.

The volume of purchases under the supply program declined from about \$1,191,000,000 in 1945 to an estimated

\$450,000,000 in 1946. A further decline to approximately \$357,000,000 is estimated for 1947. The decrease from 1945 has been due to the ending of procurement for lend-lease and the armed services. Current supply program procurement and that estimated for 1947 is almost entirely for foreign governments and agencies exporting to war-torn areas. Sales of commodities under the supply program amounted to \$1,730,000,000 in 1945, compared with estimates of \$737,000,000 and \$384,000,000 for 1946 and 1947, respectively. The reduction in sales reflects the change referred to above in the nature and scope of the operations and also the diminished commodity inventory of the Corporation. The inventory of commodities held under this program declined from \$667,000,000 at the beginning of 1945 to \$267,000,000 at the end of that year. Further decreases in these inventories to \$20,000,000 at the end of 1946 and \$13,000,000 at the end of 1947 are estimated.

#### FOREIGN PURCHASE PROGRAM

Under its foreign purchase program the Corporation purchases abroad such foods, agricultural commodities, and products thereof, and related facilities as are needed to meet emergent requirements. These purchases have consisted largely of commodities in short supply, notably fats and oils, sugar, fish, protein meals, tea, and rice. Most of the purchases implement the allocations of agricultural commodities in short world supply made by the Combined Food Board, of which the Secretary of Agriculture is the chairman. This program is carried out pursuant to the Corporation's charter authority to purchase and sell commodities both in the United States and foreign countries. The President of the United States on April 28, 1942, approved "the use by the Commodity Credit Corporation of any of its funds for the purpose of carrying out projects involving the acquisition, handling, and disposition of agricultural commodities produced in foreign countries friendly to the United States." On May 16, 1942, the Board of Economic Warfare, which had general jurisdiction over foreign economic matters, designated the Corporation, with certain exceptions, as the sole and exclusive agency for the purchase of agricultural commodities in foreign countries. The foreign purchase program of the Corporation, with the exception of purchases of sugar in Cuba and purchases of commodities in Canada, was transferred to the Foreign Economic Administration by Executive Order No. 9385 (8 F. R. 13783) dated October 6, 1943. The program was ordered returned to the Department of Agriculture by Executive Order No. 9630 (10 F. R. 12245) dated September 27, 1945.

Purchases of commodities in foreign countries increased from approximately \$71,000,000 in 1945 to an estimated \$104,000,000 in 1946. The estimate for 1947 is approximately \$101,500,000. Purchases in 1947 will consist largely of fats and oils, cocoa beans, and rice. It is anticipated that Corporation stocks of most other imported commodities, including foreign cotton, will be sold in fiscal year 1946. It is also anticipated that the foreign purchase program will be terminated during fiscal year 1947.

#### PRICE SUPPORT PROGRAM

Under its price-support program the Commodity Credit Corporation, through loans, purchases, and other operations, supports the prices of various agricultural commodities. The purpose of the program is to place a floor under the price of agricultural commodities by assuring farmers a minimum price. This program has been a

vital factor in obtaining the expanded production of agricultural commodities needed to meet the requirements of the war emergency. By stabilizing prices during the postwar period the program will aid farmers in reconverting from a war- to a peace-time production. The Corporation carries out its price support program by authority of its charter powers to buy, sell, lend, and engage in other activities with respect to agricultural commodities and their products. To a large extent the Congress has by specific legislation directed that these charter powers be used to support the price of certain agricultural commodities. This legislation has been discussed in some detail in that part of this narrative statement entitled "Creation and Purpose".

The price-support program may be generally divided into three categories:

(1) Mandatory loans made available upon the basic commodities—corn, cotton, peanuts, rice, tobacco, and wheat—in accordance with section 8 of the Stabilization Act of 1942, as amended (56 Stat. 767, 58 Stat. 643, 59 Stat. 306; 50 U. S. C. App. § 968 (1940) Supp. IV) and the act of July 28, 1945 (59 Stat. 506).

(2) Mandatory price support through loans, purchases, or other operations pursuant to section 4 (a) of the act of July 1, 1941, as amended, the so-called "Steagall Amendment" (55 Stat. 498, 56 Stat. 768, 15 U. S. C. § 713a-8 (a) (1940) Supp. IV; 50 U. S. C. App. § 969 (1940) Supp. IV), with respect to the following "Steagall commodities": Hogs, eggs, chickens and turkeys, milk and butterfat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, flaxseed for oil, American-Egyptian cotton, potatoes, and sweetpotatoes.

(3) Price-support operations with respect to agricultural commodities other than those required to be carried out by section 8 of the Stabilization Act of 1942, as amended, the act of July 28, 1945, and section 4 (a) of the act of July 1, 1941, as amended, such as operations with respect to wool, naval stores, sugar beets, sugarcane, fruits and vegetables for processing, and many other agricultural commodities.

In carrying out its price-support program the Corporation utilizes normal trade facilities to the fullest extent practicable. Thus, where loans are made to farmers, the Corporation makes use of local banks, cooperatives, and other private lending agencies by entering into contracts with such lending agencies under which the Corporation agrees to take over loans made in accordance with the Corporation's program. In addition, the Corporation enters into contracts with processors and dealers under which they buy through normal trade channels agricultural commodities at support prices for the account of the Corporation or for their own account. In the latter event the Corporation agrees (subject to conditions established by the Corporation) to take over their inventories of such agricultural commodities or products processed therefrom or otherwise assures them of no loss because of the purchase of commodities at the support prices.

In fiscal year 1945 purchases and loans under the price-support program required approximately \$1,862,000,000. For 1946 the estimate for this program is approximately \$1,616,000,000 and for 1947 the estimate is \$1,579,000,000. The estimate for 1947 provides for a substantial increase over 1946 in the amount of price-support loans, largely offsetting a decrease in the estimate of price-support purchases. This beginning of a transition to loan rather than purchase operations is based on the assumption that some improvement in food supply conditions and diminished need for exports of food for relief purposes will occur during fiscal year 1947.

*Loans.*—The increase from approximately \$187,000,000 in new loans during fiscal year 1946 to approximately \$683,000,000 during 1947 is accounted for in large part by increases in loans on corn, cotton, wheat, and potatoes, but increases are also estimated for a number of other commodities, including grain sorghums, rice, peanuts, and barley. It is estimated that outstanding loans will be at the low level of \$62,000,000 at the beginning of fiscal year 1947, and will amount to \$177,000,000 at the end of the year. This compares with outstanding loans of \$438,000,000 at the beginning of the fiscal year 1945 and \$314,000,000 at the beginning of fiscal year 1946. The decrease in outstanding loans during 1946 is largely in loans on cotton. The causes of this decrease are the small cotton crop in 1945 and the movement of market prices to levels substantially above loan rates. The increase in outstanding loans during fiscal year 1947 will consist almost entirely of loans on cotton and corn. Of the settlement of loans estimated for 1947, \$525,000,000 is by repayment and \$42,000,000 by delivery of collateral to the Corporation. This will constitute a larger volume of loan settlements than that estimated for 1946 but slightly smaller than the volume settled in 1945.

*Purchases.*—Price-supporting purchases for fiscal year 1947 are estimated at \$896,000,000, compared with \$1,429,000,000 in 1946 and \$1,333,000,000 in 1945. The principal decrease in 1946 is reduced purchases of cotton. The decrease in cotton purchases is accounted for by an increase in market prices above the purchase schedule of the Corporation. The principal estimated increases in price-support purchases in 1946 are for chickens and eggs. Unusually heavy marketings of chickens are expected to arise from the current tight feed grain situation; yet at the same time egg production in the spring months is expected to exceed market requirements.

The decline of price-support purchases in fiscal year 1947 will be chiefly in the basic commodities, the reason for this decrease being a return to loans as the principal means of supporting prices for these commodities. It is also estimated that price-support purchases of chickens and turkeys will not continue into fiscal year 1947 but that the adjustment of flocks to feed supplies will be substantially completed in 1946. The amount estimated for purchases of wool in fiscal year 1947 is substantially lower than the estimate for 1946 because no provision is made in this estimate for purchases from the 1947 clip. On March 11 the President submitted to the Congress proposals with respect to the policy to be followed in providing a price-support program for wool (Congressional Record No. 43, pages 2211-15). Upon action by the Congress in this matter, a revision in this estimate may thereby be required.

*Sales.*—The volume of sales of commodities acquired under price-support loans and purchases increased from about \$1,284,000,000 in fiscal year 1945 to approximately \$1,842,000,000 in 1946. The principal cause of this increase is enlarged sales of cotton due to the small size of the 1945 crop and resulting increased demands on the stocks of the Corporation. On the other hand, sales of wool decreased substantially. In the case of wool the decrease was due to the ending of the production of woollen goods for the armed services, which called for use of domestic wool and an interval of several months before wool held by the Corporation was made available at prices more nearly in line with those of imported wool. For fiscal year 1947 it is estimated that sales of commodities acquired under the price-support program will decline further to approximately \$925,000,000. The de-

crease will be largely in sales of basic commodities. The reason for reduced sales is that stocks owned by the Corporation will be at a relatively low level at the beginning of fiscal year 1947. An increase is shown in estimated sales of wool, however, on the assumption that an operation will be in effect during the entire year under which domestic wool will be offered at prices competitive with imported wool.

*Commodity stocks.*—At the beginning of fiscal year 1946 stocks of commodities acquired by the Corporation under the price-support program amounted to about \$885,000,000. It is estimated that stocks remaining at the end of fiscal year 1946 will amount to \$526,000,000. The principal decreases during 1946 are in stocks of cotton and wheat and the principal increases are in stocks of wool. At the beginning of fiscal year 1947 it is estimated that 70 percent of the value of these stocks will be accounted for by cotton and wool. At the close of the fiscal year 1947 it is estimated that stocks of commodities acquired under the price-support program will in the aggregate amount to about \$339,000,000. It is estimated that decreases will occur in the stocks of practically all items, notably cotton and wool.

*Losses.*—Realized losses from the sale of commodities acquired under the price support program amounted to approximately \$26,000,000 in fiscal year 1945. Losses on sales of these commodities during fiscal year 1946 are estimated at \$30,000,000. The only important increases over the previous year are in losses on wool, chickens, and eggs. In the case of wool a sales project was begun in fiscal year 1946 under which the Corporation stocks are being sold at prices lower than the support level under the wool purchase project, in order that wool owned by the Corporation may move into consumption in competition with imported wool. A loss of about \$10,000,000 is estimated for eggs due to unavailability of adequate outlets at support prices for all eggs purchased under the price support program.

Estimated losses under price support program during fiscal year 1947 are estimated at \$190,000,000. Increases over losses compared with 1946 are estimated for chickens, eggs and peanuts. In addition, sales of wool will account for a significant part of the loss. In general, the reason for expecting larger aggregate losses in 1947 than in 1946, despite a lower volume of sales of price support commodities, is due to the fact that the stocks of price support commodities from which sales will be made will consist largely of commodities for which it will be difficult to find adequate outlets at prices above the support levels.

#### COMMODITY EXPORT PROGRAM

Under its commodity export program the Corporation exports or causes to be exported agricultural commodities and products at competitive world prices. The purpose of the program is to obtain foreign markets for agricultural commodities and foods produced in the United States and to aid in the disposal of surplus agricultural commodities. Since competitive world prices are below domestic market prices the program results in a loss to Commodity Credit Corporation. The program is conducted pursuant to section 21c of the Surplus Property Act of 1944 (58 Stat. 775; 50 U. S. C. App. § 1630 (1940) supp. IV). That section authorizes the Corporation to dispose or cause to be disposed of for cash or its equivalent in goods or for adequately secured credit, for export only, and at competitive world prices, any farm commodity or product thereof without regard to restrictions with

respect to the disposal of commodities imposed upon the Corporation by any law. No food or food product, however, may be disposed of if such food or food product is in short supply or its disposition would create a short supply. Prior to enactment of section 21c the Corporation's ability to engage in export operations was substantially limited by the statutory prohibition against sales of farm commodities below the parity or comparable price.

A cotton export project, started during fiscal year 1945, is being continued in 1946, under which cotton is made available for export at competitive world prices. The volume of these operations in fiscal year 1947 will depend largely upon the size and quality of the 1946 crop and the extent of foreign demand. Since this country normally exports a large portion of its shorter staples and lower grades of cotton, provision is made for continuing this project at the same estimated cost as during fiscal year 1946, namely, \$30,000,000. A small wheat export project was terminated during fiscal year 1946, and no estimate is included for resuming it in 1947.

#### SUBSIDY PROGRAM

Under its subsidy program the Corporation makes payments or purchases for resale at a loss for the purpose of maintaining price ceilings established by the Office of Price Administration. The objective of the program is to facilitate the Government's stabilization program by providing producers of agricultural commodities and foods additional returns required to obtain maximum necessary production and distribution without increasing price ceilings. Operations of the Corporation under the program are undertaken pursuant to directives issued by the Economic Stabilization Director under authority of Executive Order No. 9250.

This program is carried out pursuant to the Corporation's charter authority to purchase, sell or otherwise deal in agricultural commodities and products thereof and to engage in activities in connection with production, handling and marketing thereof. Congress has, however, specifically limited the extent to which the Corporation may conduct operations under its subsidy program. Thus, section 2e of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944 (58 Stat. 634, 59 Stat. 306; 50 U. S. C. App. § 902(e) (1940) supp. IV) prohibited Commodity Credit Corporation as well as all other Government corporations from engaging in subsidy operations on and after July 1, 1945. Section 3 of the act of April 12, 1945 (59 Stat. 50), as amended by the act of March 21, 1946 (Public Law 328, Seventy-ninth Cong.), authorized the Corporation, notwithstanding the prohibition contained in section 2e of the Emergency Price Control Act of 1942, as amended, to complete operations with respect to 1944 and prior year crop activities and to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year noncrop activities, and, in addition, to incur and pay obligations in amounts which do not involve subsidies in excess of (1) \$568,000,000 for operations during the fiscal year ending June 30, 1946, with respect to dairy production payments, (2) \$120,000,000 for operations during the fiscal year ending June 30, 1946, with respect to other noncrop activities, including the feed-wheat project, and (3) \$225,000,000 with respect to the 1945 crop operations, 1946 sugar crop operations, 1946 vegetables processed prior to July 1, 1946, and 1946 crop flaxseed harvested prior to July 1, 1946. Such amounts were authorized to be adjusted under certain conditions by not more than 10 percent. By the act of July 31, 1945 (59 Stat.

506) the Congress authorized a transfer from the Reconstruction Finance Corporation to Commodity Credit Corporation of such portion of the authority granted to the Reconstruction Finance Corporation to pay subsidies with respect to meat, flour, and butter as the Secretary of Agriculture might determine. Under this act the Reconstruction Finance Corporation's authority with respect to meat was reduced by \$36,000,000 and Commodity Credit Corporation's authority was increased by a like amount for the purpose of permitting the latter Corporation to engage in subsidy operations with respect to lambs and sheep.

At this time there is pending House bill 5270 which would authorize the Commodity Credit Corporation to engage in subsidy operations within specified limits with respect to 1946 crop activities and with respect to noncrop activities for the fiscal year ending June 30, 1947. The Corporation's budget program for the fiscal year 1947 provides for subsidy operations in amounts recommended by the Stabilization Director in connection with the hearings on that bill. The amounts are as follows:

Dairy production payments.....	\$515,000,000
Other noncrop operations.....	50,000,000
Operations on a crop year basis.....	160,000,000

The cost of these operations in the fiscal year 1945 amounted to about \$740,000,000. For the fiscal year 1946, the cost increased to about \$819,000,000. The principal increases over 1945 are in the operations for sugar, vegetables for processing, beef cattle, and sheep and lambs. During the calendar year 1945, several of these operations were discontinued, most important of which were those covering wheat for feed, Cheddar cheese, and peanut butter. In addition, termination of the beef cattle operation at the end of the fiscal year and termination of the dry edible bean operation at the end of the 1945 crop year have been announced. Also, the peanut operation, which involved a subsidy loss in fiscal years 1945 and 1946, is not shown as a subsidy operation for 1947, because it is established on the basis of support prices at 90 percent of parity. The policy of the Government is to continue to terminate these operations as rapidly as this action can be taken in harmony with the general policy of stabilizing the cost of living and the general price level. The estimate included for these operations for the fiscal year 1947 conforms with the proposal submitted to the Congress by the Stabilization Director (hearings of the Banking and Currency Committee of the House of Representatives on H. R. 5270, Mar. 6). This amount is \$725,000,000, a decrease of about \$94,000,000 from the 1946 estimate. This amount provides for continuing those subsidy operations for which termination has not been effected or announced. The Corporation has no basis for estimating how much of this amount will be unused due to termination of any of the operations before the end of the year.

#### LOANS TO THE SECRETARY OF AGRICULTURE FOR AGRICULTURAL CONSERVATION PURPOSES

Section 391c of the Agricultural Adjustment Act of 1938, as amended (54 Stat. 728, 7 U. S. C. § 1391 (1940)), requires the Corporation to loan to the Secretary of Agriculture during each fiscal year such sums, not to exceed \$50,000,000, as the Secretary estimates will be required during such fiscal year to make Federal crop insurance premium advances, to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended, in connection with programs applicable to the

crops harvested in the calendar year in which such fiscal year ends, and to pay the administrative expenses of county agricultural conservation associations for the calendar year in which such fiscal year ends. The sum so loaned during any fiscal year is required to be transferred to the annual appropriation available for carrying out sections 7 to 17 of such act. Repayment of any such loan is directed to be made during the succeeding fiscal year from funds appropriated to carry out sections 7 to 17 of such act, with interest at a rate determined by the Secretary, but not less than the cost of money to the Corporation.

#### OPERATING RESULTS

During the fiscal year ended June 30, 1945, the operations of the Corporation resulted in a net loss of \$834,844,174. This is compared with the estimate of loss for the fiscal year 1946 of \$891,174,000 and for the fiscal year 1947 of \$966,529,000. The major portion of these losses resulted from the subsidy program. The comparative summary of income, expenses, and losses on the programs carried on by the Corporation (exhibit B) indicates clearly the trend in losses of the Corporation.

The operating statement (exhibit B) reflects a heavier demand for price support in the fiscal year 1947. The loss of \$2,321,814 shown in the supply program for the fiscal year 1945 resulted entirely from the liquidation of the Alaskan spruce log project, which was designed to obtain high grade spruce, hemlock, and low grade spruce logs for military purposes. This was in liquidation during the entire fiscal year 1945.

Provision has been made for the valuation of the inventories and losses on accounts and notes receivable. A reserve for loans receivable was not established since failure to pay a loan results in the acquisition of collateral at the face value of the loan. Losses on loans are therefore limited to cases where the collateral has been destroyed or for reasons of a comparable character.

It will be noted that in carrying out the programs described herein, the Corporation acquires considerable inventories and therefore must provide for storing, transporting, inspecting, processing, handling, financing, reconditioning, packaging, marketing, salvaging, insuring, and other services incident to such programs. The budget estimates for such programs include the cost of these charges. Services either in the cost of purchases or as carrying charges.

During the fiscal year 1945, three factors affected the change in the deficit as shown in the statement of financial condition. These factors were (1) \$256,764,881 was appropriated for the restoration of capital, (2) a loss of \$834,844,174 resulted from operations during the year (see exhibit B), and (3) an appraisal loss of \$116,074,898 was removed from the books by surplus adjustment. As a result, the net deficit of the Corporation increased from \$456,734,911 as of June 30, 1944, to \$918,739,305 as of June 30, 1945. In the preparation of the financial statements it was not assumed that the appraised losses as of June 30, 1945, will be restored during the fiscal year 1946—thus the capital deficit in the balance sheet for June 30, 1946, was increased by the loss reflected on the operating statement for fiscal year 1946 in the amount of \$891,174,000. It has been assumed further that a restoration of capital impairment as of June 30, 1945, will be made during fiscal year 1947—thus a restoration of the appraised losses as of June 30, 1945, amounting to \$921,456,561, reduces the deficit of the Corporation to \$1,854,985,745, as of June 30, 1947 (see exhibits B and C).

#### FINANCIAL CONDITION

*Loan accounts.*—The loans that the Corporation makes are of a nonrecourse character and the Corporation accepts the chattel pledged or mortgaged as security for the loan in full payment thereof. In view of this the Corporation has not followed the policy of establishing a valuation reserve for losses on loans receivable. In the balance sheet as of June 30, 1944 (see exhibit C) a reserve for losses of \$5,685,663 was shown on the basis of the appraisal made by the appraisal committee. This reserve, however, was removed by adjustment and a similar reserve has not been established. Actual losses during the fiscal year 1945 were charged off directly against operations and consisted primarily of losses due to damage and destruction of collateral.

*Commodities owned.*—There has been a consistent decline in the amount and value of the commodities owned from June 30, 1944 to the present and it is estimated that this trend will continue to June 30, 1947, as reflected in the statement of financial condition. The aggregate value of commodities owned has declined and their character has changed materially. During the war years the commodities owned consisted primarily of those procured in accordance with food allocations and to meet anticipated demands of the Army, Navy, lend-lease, and other governmental agencies and foreign claimants, American Red Cross, and other similar organizations utilizing the facilities of the Department in obtaining their food and agricultural supply requirements. It is anticipated that practically all inventories of commodities owned as of June 30, 1947 will develop from the price support program and will include certain commodities in long supply; under these circumstances it will be much more difficult to move the commodities and a larger proportionate reserve for losses is therefore deemed necessary.

*Borrowing authority and financing.*—The programs of the Corporation are financed with funds borrowed from the United States Treasury or from private lending agencies and, in the case of most of the Corporation's loan operations, by arrangements under which the loans are made by local banks, cooperatives, and other private lending agencies upon the Corporation's guaranty to take over the loans on demand. Daily reports of disbursements and receipts are received from the Federal Reserve banks which act as the fiscal agents of the Corporation. If disbursements exceed receipts, a loan in the amount of the excess is obtained from the United States Treasury; if receipts exceed disbursements, the excess is paid to the United States Treasury as a repayment on the Corporation's loan balance. This procedure assures that the Corporation's cash balance and interest expense are kept at a minimum. Funds are borrowed from private lending agencies in cases where, in addition to obtaining funds, the Corporation desires to utilize the facilities of such lending agencies in carrying out a particular operation. For example, in the case of the wool and peanut price support operations, private lending agencies make payments on behalf of the Corporation of the purchase price of the commodity and also receive on behalf of the Corporation the proceeds from the sale of the commodity—the amounts paid out by such lending agencies constituting a loan to the Corporation and the amounts received constituting repayments of the loan. All borrowing agreements with private lending agencies are approved by the Secretary of the Treasury. In making loans to farmers on agricultural commodities the Corporation also utilizes the facilities of banks, cooperatives and other private lending agencies. This is ac-

completed by entering into agreements with such private lending agencies under which the Corporation agrees to take over upon demand loans made by such agencies in accordance with the requirements of the Corporation. Under these agreements the Corporation receives one-half of the interest collected by the private lending agency if the loan is repaid by the farmer while it is carried by the lending agency. In the event the loan is taken over by the Corporation, the Corporation pays the bank the amount of the note evidencing the loan plus one-half the accrued interest. Since loans to farmers bear interest at the rate of 3 percent per annum, private lending agencies realize 1½ percent interest per annum on loans made by them for the period during which they hold the loans.

The balance of borrowings, as the net result of operations during the fiscal year 1945, increased from \$1,904,306,702 on June 30, 1944 by \$319,835,177 to \$2,224,141,879 on June 30, 1945. During the fiscal year 1946 it is estimated that borrowings will be reduced \$54,141,879 as the result of operations. In addition it is proposed that the \$500,000,000 made available by an appropriation (Public Law 301, 79th Cong.) for postwar price support be applied to reduce borrowings, and that a reservation against the borrowing authority be established, in a like amount to assure availability of cash when needed to meet these postwar price support responsibilities.

In establishing program requirements on borrowings (schedule C-1) consideration has been given to the fact that the Corporation's responsibility in connection with the supply and the foreign-purchase programs is one of financing. In the fiscal year 1945 substantial advances were made to the Corporation from lend-lease funds to assist in financing purchases made in behalf of the lend-lease program. In the fiscal year 1946, the advances became even more substantial in relation to the size of the procurement operation carried on by the Corporation due to the liquidation of the lend-lease program, thus reducing the amount of the Corporation's funds required in the operation. During the fiscal year 1947 it is not assumed that similar advances will be made from UNRRA and other claimants, and it has therefore been estimated that funds must be made available to finance these operations on the basis that the funds will revolve three times during the year. Consideration has not been given to program receipts, except in connection with the supply and foreign purchase programs, due to the uncertainty of the date of the receipts in relation to the program requirements.

The present borrowing authority of \$4,750,000,000 is considered adequate to meet all financing requirements of the Corporation during the fiscal year 1947, and a balance of \$103,658,000 is available as a reserve for contingencies during that year.

*Trust and deposit liabilities.*—Due to the change in character of operations and the reduction in operations under the supply program, it is anticipated that the amounts advanced the Corporation will be liquidated either by the delivery of commodities or by the return of the funds by the close of fiscal year 1947.

*Liability reserves.*—Public Law 301, Seventy-ninth Congress, approved February 18, 1946, makes available to the Corporation \$500,000,000. This amount has been established on the statement of financial condition as a liability reserve for postwar price support. A policy as to the specific classes of losses or the method of charging such losses for postwar price support to this reserve has not as of this date been established.

*Return of capital funds to the Treasury.*—It is not anticipated that any capital funds will be returned by the Corporation to the Treasury during fiscal year 1947. As reflected in the statement of income and expenses, it is expected that substantial losses will occur during that year and capital will be impaired \$1,854,985,745 on June 30, 1947.

#### ADMINISTRATIVE EXPENSES

Administrative expenses cover the costs of the general supervisory and operating staff engaged in the supervision of the operation of the programs carried out by the Corporation. There are not included in administrative expenses, however, necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest. Such expenses are treated as nonadministrative expenses in accordance with the authorization which, for the last 8 years, has been contained in the Commodity Credit Corporation administrative expense item in annual appropriation acts. The language proposed in the budget program for the fiscal year 1947 authorizing expenditures for administrative expenses of the Corporation contemplates that the Corporation will, consistent with its established practice, treat as nonadministrative expense all expenses of the types which have been so treated during the 1946 fiscal year. Provision is not made for the costs of General Accounting Office audits pursuant to Public Law 248 (79th Congress) since bases for making such estimates are not available.

The work of the Corporation is performed by the employees of the Production and Marketing Administration, and the Corporation assumes its equitable share of expenses for personnel and other expenses. The expenses assumed during the fiscal year 1945 by the Corporation are reflected in schedules B-2 and B-3, and the estimates for the fiscal years 1946 and 1947 are shown on a comparable basis.

The authorizing language implementing the Corporation's budget for the fiscal year 1947 includes a limitation of \$8,760,000 for costs of administration (see statement of income and expenses, exhibit B and schedule B-2).

#### RESTORATION OF CAPITAL

The act of March 8, 1938 (52 Stat. 107) provided that as of March 31, of each year an appraisal of all the assets and liabilities of the Corporation for the purpose of determining the net worth of the Corporation shall be made by the Secretary of the Treasury. The legislation provided for a basis of evaluating the assets. The act further provided that should such appraisal establish the net worth of the Corporation as less than \$100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such capital impairment by a contribution to the Corporation in the amount of such impairment. The act of April 12, 1945 (59 Stat. 50) changed the date of appraisal from March 31 to June 30, beginning with June 30, 1945. A summary of capital impairment, restoration of capital by the Secretary of the Treasury, and payments by the Corporation into the Treasury is given in schedule C-3. From this summary, it will be noted that the last restoration of capital to the

Corporation amounted to \$256,764,881 and covered the 2-year period ending March 31, 1944. The deficit in the amount of \$918,739,306, as shown on the statement of financial condition, reflects a cumulative loss from operations for the 15-month period from April 1, 1944 through June 30, 1945. The Corporation has been informed that the appraisal as of June 30, 1945 has been completed and that the estimated appraised losses for the 15-month period indicated above is \$921,456,561. The reconciliation between the figure reflected in the financial statements attached and the appraisal completed by the Secretary of the Treasury is as follows:

Capital impairment as of June 30, 1945 (See exhibit C).....	\$918, 739, 306
Estimated additional loss due to appraisal:	
On loans receivable.....	\$391, 038
On commodity inventories.....	2, 326, 217
<b>Total.....</b>	<b>2, 717, 255</b>
Total capital impairment (amount of appropriation necessary to enable the Secretary of the Treasury to discharge his responsibility under the act of March 8, 1938, as amended).....	921, 456, 561

Language to permit the Secretary of the Treasury to restore the capital impairment of the Corporation as of June 30, 1945, is included as a part of this budget submission.

#### LANGUAGE

##### COMMODITY CREDIT CORPORATION

##### Administrative Expenses, Commodity Credit Corporation, Department of Agriculture—

【Salaries and administrative expenses: Not to exceed \$6,565,000 of the funds of the Commodity Credit Corporation shall be available for administrative expenses of the Corporation in carrying out its activities as authorized by law, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$400 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; rent in the District of Columbia; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That none of the fund made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended: *Provided further*, That none of the fund made available by this paragraph shall be used for administrative expenses

connected with the sale of Government-owned or Government-controlled stocks of farm commodities at less than parity price as defined by the Agricultural Adjustment Act of 1938 or the comparable price as provided by section 4 (a) of the Act of July 1, 1941, as amended (15 U. S. C. 713a-8); and the method that is now used for the purposes of Commodity Credit Corporation loans for determining the parity price or its equivalent for 7/8-inch Middling cotton at the average location used in fixing the base loan rate for cotton shall also be used for determining the parity price for 7/8-inch Middling cotton at such average location for the purposes of this proviso: *Provided further*, That the foregoing shall not apply to the sale or other disposition of any agricultural commodity substantially deteriorated in quality (or in the case of perishable fruits, vegetables, and animal products if there is danger of deterioration or of accumulation of stocks) or sold for the purpose of feeding, or the extraction of peanut oil, or commodities disposed of for export pursuant to section 21 (c) of the Surplus Property Act of 1944 (Public Law 457) or commodities sold to farmers for seed or for new or byproduct uses, or commodities sold for the purpose of establishing claims against persons who have committed fraud, misrepresentations, or other wrongful acts with respect to such commodities: *Provided further*, That no wheat or corn shall be sold for feed at a price less than the parity price of corn at the time such sale is made: *Provided further*, That in making regional adjustments in the sale price of corn or wheat the minimum price need not be higher in any area than the United States average parity price of corn.】

【Salaries and administrative expenses: For an additional amount for "Salaries and administrative expenses", Commodity Credit Corporation, fiscal year 1946, including the objects specified under this head in the Department of Agriculture Appropriation Act, 1946, \$587,500, payable from the funds of said Corporation.】

【Salaries and administrative expenses: For an additional amount, fiscal year 1946, for "Salaries and administrative expenses", Commodity Credit Corporation, including the objects specified under this head in the Department of Agriculture Appropriation Act, 1946, \$762,000, payable from the funds of said Corporation.】

*The types of programs set forth in the 1947 budget of the Commodity Credit Corporation, within the funds available to it, are approved: Provided, That not to exceed \$8,760,000 of such funds (including not to exceed \$400 for periodicals, maps, and newspapers, and not to exceed \$30,000 for deposit in the general fund of the Treasury for costs of penalty mail as required by section 2 of the Act of June 28, 1944) shall be available for administrative expenses (as shown in its statement of income and expenses) which shall be classified as such in a manner consistent with prior years and shall be on an accrual basis: Provided further, That none of the funds made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended. (7 U. S. C. 1302, 1391 (c); 15 U. S. C. 712a-713a-9; 50 U. S. C. 968; Act of Feb. 23, 1944, Public Law 240; Act of June 30, 1944, Public Law 383; Act of April 12, 1945, Public Law 30; Act of May 5, 1945, Public Law 52; Act of July 5, 1945, Public Law 132; Act of Dec. 6, 1945, Public Law 248; Act of Dec. 28, 1945, Public Law 269.)*

#### APPROPRIATION FOR RESTORATION OF CAPITAL

##### Restoration of Capital Impairment, Commodity Credit Corporation—

*To enable the Secretary of the Treasury, on behalf of the United States, to restore the amount of the capital impairment of the Commodity Credit Corporation as of June 30, 1945, by a contribution to the Corporation as provided by the Act approved March 8, 1938, as amended (15 U. S. C. 713a-1), there is appropriated, out of any money in the Treasury not otherwise appropriated, for the Treasury Department, Office of the Secretary, \$921,456,561.10.*

**EXHIBIT A**  
**COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
<b>To price support program:</b>			
For loans (schedule C-2).....	\$529,334,356	\$187,005,445	\$682,865,000
For purchase of commodities (schedule B-1).....	1,332,904,333	1,429,111,628	896,243,000
For carrying charges on commodities and related expenditures (schedule B-1).....	91,232,526	86,127,700	29,239,000
Total.....	\$1,953,471,215	\$1,702,244,773	\$1,608,347,000
<b>To supply program:</b>			
For purchase of commodities (schedule B-1).....	1,190,643,089	450,739,500	357,210,500
For carrying charges on commodities and related expenditures (schedule B-1).....	109,992,414	40,069,200	19,466,000
Total.....	1,300,635,503	490,808,700	376,676,500
<b>To foreign purchase program:</b> For purchase of commodities (schedule B-1).....	70,937,031	103,916,500	101,518,000
<b>To commodity export program</b> <sup>1</sup> .....	993,084	260,628	30,000,000
<b>To subsidy program:</b> <sup>2</sup>			
Dairy production payments.....	532,253,665	496,500,000	515,000,000
Other noncrop operations.....	100,324,407	104,895,800	50,000,000
Operations on a crop-year basis.....	614,578	162,212,000	120,000,000
Adjustment to prior-year activity.....	184,070		
Total.....	633,376,720	763,607,800	685,000,000
<b>To loan to the Secretary of Agriculture for agricultural conservation purposes</b> .....	46,000,000	9,314,528	9,000,000
<b>Operating expenses:</b>			
Interest on borrowed funds.....	14,238,138	16,000,000	13,500,000
Administrative expenses.....	7,385,120	9,057,500	8,760,000
Nonadministrative expenses.....	2,489,850	313,495	275,000
Total.....	24,113,108	25,370,995	22,535,000
<b>To repayment of borrowings:</b>			
U. S. Treasury.....	2,886,000,000	3,471,000,000	2,520,000,000
Private lending agencies.....	944,950,925	708,141,879	780,000,000
Total.....	3,830,950,925	4,179,141,879	3,300,000,000
<b>To purchases of fixed assets</b> .....	1,794,334	500,000	500,000
<b>To increase (or decrease*) in working capital</b> .....	109,911,893	*18,669,394	*80,058,339
<b>Total funds applied</b> .....	7,972,183,813	7,256,496,409	6,053,518,161

\*Deduct.

<sup>1</sup> Analysis of charges against commodity export program:

	1945	1946	1947
Loss on sales chargeable against commodity export program.....	\$2,951,507	\$30,000,000	-----
Direct commodity export payments.....	993,084	260,628	\$30,000,000
Total loss on commodity export program.....	3,944,591	30,260,628	30,000,000

<sup>2</sup> Analysis of charges against subsidies:

	1945	1946	1947
Loss on sales chargeable against subsidy operations on a crop-year basis.....	\$106,180,321	\$55,500,000	\$40,000,000
Direct subsidy payments.....	633,376,720	763,607,800	685,000,000
Total loss on subsidies.....	739,557,041	819,107,800	725,000,000

## COMMODITY CREDIT CORPORATION

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## EXHIBIT A—Continued

## COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS—Continued

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS PROVIDED</b>			
<b>By borrowings:</b>			
U. S. Treasury.....	\$3,577,000,000	\$3,000,000,000	\$2,500,000,000
Private lending agencies.....	573,786,102	625,000,000	670,000,000
Total.....	\$4,150,786,102	\$3,625,000,000	\$3,170,000,000
<b>By collections of loans:</b>			
Secretary of Agriculture.....	20,000,000	36,000,000	9,000,000
Price-support programs (schedule C-2).....	446,638,705	356,287,165	524,558,500
Total.....	466,638,705	392,287,165	533,558,500
<b>By sales of commodities (schedule B-1)</b>			
Price support programs.....	1,284,268,632	1,842,167,357	925,422,100
Supply programs.....	1,730,120,929	737,204,819	383,731,500
Foreign purchase programs.....	74,715,239	146,910,071	106,849,500
Total.....	3,089,104,800	2,726,282,247	1,416,003,100
<b>By interest income.....</b>	3,539,145	5,350,000	10,500,000
<b>By appropriations:</b>			
For restoration of capital.....	256,764,881		921,456,561
For postwar price support.....		500,000,000	
Total.....	256,764,881	500,000,000	921,456,561
<b>By receipts on sale of fixed assets.....</b>	5,959,314	6,451,997	1,500,000
<b>By miscellaneous income (or loss)*.....</b>	*609,134	1,125,000	500,000
<b>Total funds provided.....</b>	<b>7,972,183,813</b>	<b>7,256,496,409</b>	<b>6,053,518,161</b>

\*Deduct.

**EXHIBIT B**  
**COMPARATIVE STATEMENT OF INCOME AND EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Loan and miscellaneous income:</b>			
Interest income:			
Interest on loans.....	\$2,891,697	\$5,000,000	\$10,000,000
Other interest income.....	647,448	350,000	500,000
Miscellaneous income.....	*609,134	1,125,000	500,000
Total.....	\$2,930,011	\$6,475,000	\$11,000,000
<b>Expenses:</b>			
Interest on borrowed funds.....	*14,238,138	*16,000,000	*13,500,000
Administrative expenses (see schedules B-2 and B-4).....	*6,771,965	*9,057,500	*8,760,000
Prior year adjustments.....	*613,155		
Nonadministrative expenses.....	*2,531,789	*350,073	*315,000
Total.....	*24,155,047	*25,407,573	*22,575,000
<b>Program results:</b>			
Price support program (see schedule B-1):			
Sales.....	1,284,268,632	1,842,167,357	925,422,106
Less cost of sales.....	1,419,367,053	1,957,331,068	1,155,566,100
Add: Transfers and adjustments.....	109,131,828	85,500,000	40,000,000
Net loss.....	*25,966,593	*29,663,711	*190,144,000
Supply program (see schedule B-1):			
Sales.....	1,730,120,929	737,204,819	383,731,500
Less: Cost of sales.....	1,700,867,626	737,117,177	383,581,500
Less: Transfers and adjustments.....	31,575,117		
Net gain (or loss*).....	*2,321,814	87,642	150,000
Foreign purchase program (see schedule B-1):			
Sales.....	74,715,239	146,910,071	106,849,500
Less: Cost of sales.....	73,913,406	137,469,071	106,849,500
Net gain.....	801,833	9,441,000	
Subsidy losses (see schedule B-5):			
Direct payments.....	*633,376,720	*763,607,800	*685,000,000
Loss on sales.....	*106,180,321	*55,500,000	*40,000,000
Total.....	*739,557,041	*819,107,800	*725,000,000
Commodity export losses (see schedule B-6):			
Loss on sales.....	*2,951,507	*30,000,000	
Other losses.....	*993,084	*260,628	*30,000,000
Total.....	*3,944,591	*30,260,628	*30,000,000
Loans receivable charged off.....	*1,131,784		
Depreciation on fixed assets.....	*3,650,828	*1,920,000	*960,000
Loss on sale of fixed assets.....	*3,266,250	*3,000,000	*1,000,000
Total loss on programs.....	*779,037,068	*874,423,497	*946,954,000
Net loss before adjustment of valuation reserves.....	*800,262,104	*893,356,070	*958,529,000
Adjustment of valuation reserves:			
Reserve for losses on commodities owned.....	*34,182,070	*5,817,930	*10,000,000
Reserve for losses on accounts and notes receivable.....	*400,000		
Reserve for depreciation on fixed assets.....		8,000,000	2,000,000
Total.....	*34,582,070	2,182,070	*8,000,000
Net loss.....	*834,844,174	*891,174,000	*966,529,000

\*Deduct.

## COMMODITY CREDIT CORPORATION

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EXHIBIT B—Continued  
**COMPARATIVE STATEMENT OF INCOME AND EXPENSES—Continued**  
**ANALYSIS OF DEFICIT**

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of fiscal year.....	* 2 \$456,734,911	*\$918,739,306	*\$1,809,913,306
Net loss* for year:			
On subsidiaries.....	*\$739,557,041	*\$819,107,800	*\$725,000,000
On other operations.....	* 3 95,287,133	*72,066,200	*241,529,000
Total loss.....	*834,844,174	*891,174,000	*966,529,000
Balance before adjustments.....	*1,291,579,085	*1,809,913,306	*2,776,442,306
Add:			
Adjustment reversing appraisal reserves.....	116,074,898		
Net appropriation for restoration of capital.....	256,764,881		921,456,561
Balance at close of fiscal year.....	*918,739,306	*1,809,913,306	*1,854,985,745

\*Deduct.

2 Composed of cumulative appropriations for restoration of capital of \$143,950,524 and prior years' losses of \$600,685,435.

3 Reconciliation between statement of financial condition and statement of income and expense for the fiscal year ended 1945 as follows:

Loss on other operations:

Per statement of financial condition—1944.....	*\$59,709,172
Per statement of financial condition—1945.....	*38,921,407
Net change during 1945 (gain).....	20,787,765
Deduct: Adjustment reversing reserve for appraisal loss.....	116,074,898
Loss on other operations per statement of income and expense.....	*95,287,133

**EXHIBIT C**  
**COMPARATIVE STATEMENT OF FINANCIAL CONDITION**

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
<b>ASSETS</b>				
Cash.....	\$240,370,462	\$42,746,274	\$29,493,198	\$30,434,859
Loans receivable:				
Program loans (see schedule C-2).....	437,638,957	314,279,220	61,515,000	177,249,000
Secretary of Agriculture for agricultural conservation purposes.....	10,000,000	36,000,000	9,314,528	9,314,528
Less: Reserve for losses.....	5,685,663			
Net total.....	441,953,294	350,279,220	70,829,528	186,563,528
Commodities owned.....	1,384,036,476	1,190,521,388	552,051,100	352,303,000
Less: Reserve for losses.....	53,468,310	34,182,070	40,000,000	50,000,000
Net total.....	1,330,568,166	1,156,339,318	512,051,100	302,303,000
Accounts and notes receivable.....	616,097,972	544,327,955	300,000,000	200,000,000
Less: Reserve for losses.....		400,000		
Net total.....	616,097,972	543,927,955	300,000,000	200,000,000
Advances on purchases.....	136,347,811	63,800,634	80,000,000	80,000,000
Accrued assets:				
Accrued interest receivable.....	11,454,841	8,150,223	2,500,000	9,000,000
Accrued carrying charges on loans.....	6,953,105	473,793	500,000	1,000,000
Total.....	18,407,946	8,624,016	3,000,000	10,000,000
Fixed assets.....	28,383,227	20,951,997	12,000,000	10,000,000
Less: Reserve for depreciation.....	11,350,655	15,043,422	9,000,000	8,000,000
Net total.....	17,032,572	5,908,575	3,000,000	2,000,000
Deferred charges.....	2,325,875	90,556		
Undistributed debits.....	367,135	1,891,481	1,000,000	1,000,000
Other assets.....	207,000,545			
Less: Reserve for losses.....	18,541,679			
Net total.....	188,458,866			
Total assets.....	2,991,930,099	2,173,608,029	999,373,826	812,301,387
<b>LIABILITIES</b>				
Borrowed funds:				
From U. S. Treasury.....	900,000,000	1,591,000,000	1,120,000,000	1,100,000,000
From private lending agencies.....	1,004,306,702	633,141,879	550,000,000	440,000,000
Total.....	1,904,306,702	2,224,141,879	1,670,000,000	1,540,000,000
Obligations to purchase loans held by private lending agencies.....	91,092,923	86,035,259	20,000,000	125,000,000
Trust and deposit liabilities:				
Due Government agencies.....	1,004,005,097	79,871,135	40,000,000	
Advance payments on sales.....	45,624,029	5,283,610		
Due employees—bond deductions.....	22,726	21,872	20,000	20,000
Total.....	1,049,651,852	85,176,617	40,020,000	20,000
Accounts payable.....	193,825,127	437,075,208	330,000,000	250,000,000
Accrued liabilities:				
Accrued interest payable.....	4,568,445	3,667,143	1,000,000	2,500,000
Accrued carrying charges.....	14,153,026	15,163,961	7,500,000	9,000,000
Total.....	18,721,471	18,831,104	8,500,000	11,500,000
Undistributed credits.....	34,146,010	820,136	500,000	500,000
Liability reserves:				
Reserve on general commodities purchase programs.....		139,171,171	139,171,171	139,171,171
Reserve on service fees.....		1,095,961	1,095,961	1,095,961
Reserve for appraised losses.....	56,920,925			
Reserve for postwar price support.....			500,000,000	500,000,000
Total.....	56,920,925	140,267,132	640,267,132	640,267,132
Total liabilities.....	3,348,665,010	2,992,347,335	2,709,287,132	2,567,287,132
<b>CAPITAL (OR DEFICIT*)</b>				
Capital stock—held by U. S. Government.....	100,000,000	100,000,000	100,000,000	100,000,000
Deficit:*				
Loss* on subsidies.....	*540,976,263	*1,280,533,304	*2,099,641,104	*2,824,641,104
Loss* on other operations.....	*59,709,172	*38,921,407	*110,987,607	*352,516,607
Less: Net appropriations for restoration of capital.....	143,980,524	400,715,405	400,715,405	1,322,171,966
Net deficit*.....	*456,734,911	*918,739,306	*1,809,913,306	*1,854,985,745
Total capital (or deficit*).....	*356,734,911	*818,739,306	*1,709,913,306	*1,754,985,745

\*Deduct.

## COMMODITY CREDIT CORPORATION

## SCHEDULE A-1

## CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (increase or decrease*):</b>			
Cash.....	*\$197,624,188	*\$13,253,076	\$941,661
Accounts and notes receivable.....	*71,770,017	*243,927,955	*100,000,000
Advances on purchases.....	*72,547,177	16,199,366	
Accrued assets:			
Accrued interest receivable.....	*3,304,618	*5,650,223	6,500,000
Accrued carrying charges on loans.....	*6,479,312	26,207	500,000
Deferred charges.....	*2,235,319	*90,556	
Undistributed debits.....	1,524,346	*891,481	
Other assets.....	*188,458,866		
<b>Current liabilities (increase* or decrease):</b>			
Obligations to purchase loans held by lending agencies.....	5,057,664	66,035,259	*105,000,000
Trust and deposit liabilities:			
Due Government agencies.....	924,133,962	39,871,135	40,000,000
Advances on sales.....	40,340,419	5,283,610	
Due employees, bond deductions.....	854	1,872	
Accounts payable.....	*243,250,081	107,075,208	80,000,000
Accrued liabilities:			
Accrued interest payable.....	901,302	2,667,143	*1,500,000
Accrued carrying charges payable.....	*1,010,935	7,663,961	*1,500,000
Undistributed credits.....	33,325,874	320,136	
Reserve on general commodities purchase program.....	*107,596,054		
Reserve on service fees.....	*1,095,961		
Increase in working capital.....	109,911,893		
Decrease in working capital.....		18,669,394	80,058,339

\*Deduct.

## SCHEDULE B-1

## SUMMARY OF SALES, COST OF GOODS SOLD, AND GAIN OR LOSS ON SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments*	Net gain or loss
<b>Fiscal year 1945</b>										
<b>Price support program:</b>										
Basic commodities.....	\$728,733,448	\$431,777,256	\$719,700,935	\$200,143,795	\$79,691,219	\$644,620,334	\$786,692,871	-\$57,959,423	\$56,751,507	-\$1,207,916
Steagall commodities.....	326,837,175	70,807,069	344,256,958	47,130	2,860,403	26,138,582	391,832,978	-64,995,803	52,790,088	-12,205,715
All other.....	228,698,009	172,726,105	268,946,440	4,732,679	8,680,904	214,244,924	240,841,204	-12,143,195	-409,767	-12,552,962
Total, price support.....	1,284,268,632	675,310,430	1,332,904,333	204,923,604	91,232,526	885,003,840	1,419,367,053	-135,098,421	109,131,828	-25,966,593
Supply program.....	1,730,120,929	666,865,600	1,190,643,089	-----	109,992,414	266,633,477	1,700,867,626	+29,253,303	-31,575,117	-2,321,814
Foreign purchase program.....	74,715,239	41,860,446	70,937,031	-----	-----	38,884,071	73,913,406	+801,833	-----	+801,833
Total, fiscal year 1945.....	3,089,104,800	1,384,036,476	2,594,484,453	204,923,604	201,224,940	1,190,521,388	3,194,148,085	-105,043,285	77,556,711	-27,486,574
<b>Fiscal year 1946</b>										
<b>Price support program:</b>										
Basic commodities.....	1,223,784,334	644,620,334	546,250,000	82,460,000	66,908,800	162,180,000	1,178,059,134	+45,725,200	30,000,000	+75,725,200
Steagall commodities.....	358,785,782	26,138,582	539,754,800	22,500	8,757,900	121,862,000	452,811,782	-94,026,000	55,500,000	-38,526,000
All other.....	259,597,241	214,244,924	343,106,828	1,000,000	10,461,000	242,352,600	326,460,152	-66,862,911	-----	-66,862,911
Total, price support.....	1,842,167,357	885,003,840	1,429,111,628	83,482,500	86,127,700	526,394,600	1,957,331,068	-115,163,711	85,500,000	-29,663,711
Supply program.....	737,204,819	266,633,477	450,739,500	-----	40,069,200	20,325,000	737,117,177	+87,642	-----	+87,642
Foreign purchase program.....	146,910,071	38,884,071	103,916,500	-----	-----	5,331,500	137,469,071	+9,441,000	-----	+9,441,000
Total, fiscal year 1946.....	2,726,282,247	1,190,521,388	1,983,767,628	83,482,500	126,196,900	552,051,100	2,831,917,316	-105,635,069	85,500,000	-20,135,069
<b>Fiscal year 1947</b>										
<b>Price support program:</b>										
Basic commodities.....	308,417,000	162,180,000	139,350,000	36,750,000	12,152,000	55,550,000	294,882,000	+13,535,000	-----	+13,535,000
Steagall commodities.....	386,198,500	121,862,000	518,593,000	5,022,500	8,236,000	63,360,000	590,353,500	-204,155,000	40,000,000	-164,155,000
All other.....	230,806,600	242,352,600	238,300,000	800,000	8,851,000	219,973,000	270,330,600	-39,524,000	-----	-39,524,000
Total, price support.....	925,422,100	526,394,600	896,243,000	42,572,500	29,239,000	338,883,000	1,155,566,100	-230,144,000	40,000,000	-190,144,000
Supply program.....	383,731,500	20,325,000	357,210,500	-----	19,466,000	13,420,000	383,581,500	+150,000	-----	+150,000
Foreign purchase program.....	106,849,500	5,331,500	101,518,000	-----	-----	-----	106,849,500	-----	-----	-----
Total, fiscal year 1947.....	1,416,003,100	552,051,100	1,354,971,500	42,572,500	48,705,000	352,303,000	1,645,997,100	-229,994,000	40,000,000	-189,994,000

\* Analysis of transfers and adjustments:

Transferred from—	Transferred to—			
	Subsidy program	Export program	Reserve for general commodity purchases	Total
<b>FISCAL YEAR 1945</b>				
Price support program:				
Basic commodities.....	\$53,800,000	\$2,951,507	-----	\$56,751,507
Steagall commodities.....	52,790,088	-----	-----	52,790,088
All other.....	-409,767	-----	-----	-409,767
Total, price support program.....	106,180,321	2,951,507	-----	109,131,828
Supply program.....	-----	-----	-\$31,575,117	-\$31,575,117
Total, 1945.....	106,180,321	2,951,507	-\$31,575,117	77,556,711
<b>FISCAL YEAR 1946</b>				
Price support program:				
Basic commodities.....	-----	30,000,000	-----	30,000,000
Steagall commodities.....	55,500,000	-----	-----	55,500,000
Total, price support program.....	55,500,000	30,000,000	-----	85,500,000
Total, 1946.....	55,500,000	30,000,000	-----	85,500,000
<b>FISCAL YEAR 1947</b>				
Price support program: Steagall commodities.....	40,000,000	-----	-----	40,000,000

## COMMODITY CREDIT CORPORATION

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## SCHEDULE B-1—Continued

## STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES

FISCAL YEAR 1945

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
<b>PRICE SUPPORT PROGRAM</b>										
Basic commodities:										
Cotton	\$146,483,960	\$170,425,305	\$265,263,908	\$105,506,487	\$17,776,609	\$432,606,584	\$126,365,725	+\$20,118,235	\$2,951,507	+\$23,069,742
Corn	7,851,657	5,253,510	27,284,039	-178,704	4,519,230	19,660,122	17,217,953	-9,366,296		-9,366,296
Rice		3,596,279				3,596,279				
Tobacco	210,404,728	87,347,110	156,093,059		11,268	35,087,598	208,363,839	+2,040,889		+2,040,889
Wheat	363,993,103	165,155,052	271,059,929	94,816,012	57,384,112	153,669,751	434,745,354	-70,752,251	\$53,800,000	-16,952,251
Total, basic commodities	728,733,448	431,777,256	719,700,935	200,143,795	79,691,219	644,620,334	786,692,871	-57,959,423	56,751,507	-1,207,916
Steagall commodities:										
Beans, dry edible	53,671	69,763			4,446	18,217	55,992	-2,321		-2,321
Chickens, dressed										
Cotton, American-Egyptian	6,104,133	10,636,428			526,310	5,209,758	5,952,980	+151,153		+151,153
Flaxseed	77,688	172	70,792		29,296	2,116	98,144	-20,456		-20,456
Peanuts	17,392,200	6,604,283	20,657,235		859,186	1,608,947	26,511,757	-9,119,557	\$9,119,557	
Peas, dry smooth	28,280		953	31,880	167	4,504	28,496	-216		-216
Potatoes, white	2,513,503	7,244,002	6,474,445	15,250	1,113,681		14,847,378	-12,333,875		-12,333,875
Soybeans	300,667,700	46,252,421	317,053,533		327,317	19,295,040	344,338,231	-43,670,531	\$43,670,531	
Total, Steagall commodities	326,837,175	70,807,069	344,256,958	47,130	2,860,403	26,138,582	391,832,978	-64,995,803	52,790,088	-12,205,715
All other:										
Barley	359,283	226,325	1,714,625	34,883	840,827	2,440,818	375,842	-16,559		-16,559
Beans, castor	57,756	202,686	26,157			11	228,832	-171,076		-171,076
Cotton, Puerto Rican	50,884	158,967	260,295			357,552	61,710	-10,826		-10,826
Cotton linters	32,585,449	11,886,740	28,381,061			7,840,696	32,427,105	+158,344	\$158,344	
Hemp	5,663,249	20,638,639	16,545,259			20,057,271	17,126,627	-11,463,378		-11,463,378
Milkweed floss	448,082	76,994	974,956			201,798	850,152	-402,070		-402,070
Naval stores	6,054,143	7,947,451	252,347			3,217,690	4,982,108	+1,072,035		+1,072,035
Oats	1,538,940	1,489,973	341,550		52,313	335,684	1,548,152	-9,212		-9,212
Oils, vegetable	8,197,207	11,037,317	7,835,613			10,927,146	7,945,784	+251,423	\$251,423	
Rye	1,337,353	178,662	4,146,226	285	278,009	3,126,008	1,477,174	-139,821		-139,821
Seeds, miscellaneous	2,917,917	832,228	2,578,643	1,210,746	93,635	1,532,486	3,182,766	-264,849		-264,849
Sorghum, grain	288,925	194	602,228	3,486,765	736,073	4,475,197	350,063	-61,138		-61,138
Wool	169,198,821	118,049,929	205,287,480		6,680,047	159,732,567	170,284,889	-1,086,068		-1,086,068
Total, all other	228,698,009	172,726,105	268,946,440	4,732,679	8,680,904	214,244,924	240,841,204	-12,143,195	-409,767	-12,552,962
Total, price support program	1,284,268,632	675,310,430	1,332,904,333	204,923,604	91,232,526	885,003,840	1,419,367,053	-135,098,421	109,131,828	-25,966,593
<b>SUPPLY PROGRAM</b>										
Cotton bagging	2,991,590	3,326,392			47,826	441,802	2,932,416	+59,174		+59,174
Feed for Government facilities	34,836	3,864	30,512				34,376	+460		+460
Fertilizer, ammonium nitrate	2,669,950	594,101	2,029,891				2,623,992	+45,958		+45,958
General commodity purchase	1,723,625,139	662,484,728	1,185,773,197		109,940,922	266,148,825	1,692,050,022	+31,575,117	\$31,575,117	
Peanut bags	89,721	145,991			810	1,492	145,309	-55,588		-55,588
Spruce logs, Alaskan	681,013	307,727	2,742,248				3,049,975	-2,368,062		-2,368,062
Other	28,680	2,797	67,241		2,856	41,358	31,536	-2,856		-2,856
Total, supply program	1,730,120,929	666,865,600	1,190,643,089		109,992,414	266,633,477	1,700,867,626	+20,253,303	-31,575,117	-2,321,814
<b>FOREIGN PURCHASE PROGRAM</b>										
Cotton, foreign	11,118,616	10,246,024	7,427,079			9,352,405	8,320,698	+2,797,918		+2,797,918
Fats and oils	57,650,660	31,339,398	57,638,239			28,895,203	60,082,434	-2,431,774		-2,431,774
Other foreign commodities	5,945,963	275,024	5,871,713			636,463	5,510,274	+435,689		+435,689
Total, foreign purchase program	74,715,239	41,860,446	70,937,031			38,884,071	73,913,406	+801,833		+801,833
Total, all programs	3,089,104,800	1,384,036,476	2,594,484,453	204,923,604	201,224,940	1,190,521,388	3,194,148,085	-105,043,285	77,556,711	-27,486,574

<sup>1</sup> Transfer to Commodity Export Program, total \$2,951,507.<sup>2</sup> Transfer to Subsidy Program, total \$106,180,321.<sup>3</sup> Transfer to Reserve for General Commodity Purchases.

## SCHEDULE B-1—Continued

## STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES—Continued

FISCAL YEAR 1946

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
<b>PRICE SUPPORT PROGRAM</b>										
Basic commodities:										
Cotton.....	\$478,064,584	\$432,606,584	\$55,000,000	\$82,460,000	\$18,800,000	\$135,000,000	\$453,866,584	+\$24,198,000	\$30,000,000	+\$54,198,000
Corn.....	57,296,122	19,660,122	24,750,000	-----	6,200,000	550,000	50,060,122	+7,236,000	-----	+7,236,000
Rice.....	35,666,279	3,596,279	31,500,000	-----	1,200,000	630,000	35,666,279	-----	-----	-----
Tobacco.....	181,887,598	35,087,598	155,000,000	-----	8,800	8,000,000	182,096,398	-208,800	-----	-208,800
Wheat.....	470,869,751	153,669,751	280,000,000	-----	40,700,000	18,000,000	456,369,751	+14,500,000	-----	+14,500,000
Total, basic commodities.....	1,223,784,334	644,620,334	546,250,000	82,460,000	66,908,800	162,180,000	1,178,059,134	+45,725,200	30,000,000	+75,725,200
Steagall commodities:										
Beans, dry edible.....	1,023,717	18,217	924,800	-----	45,700	68,000	920,717	+103,000	-----	+103,000
Chickens, dressed.....	7,500,000	-----	60,000,000	-----	-----	45,000,000	15,000,000	-7,500,000	-----	-7,500,000
Cotton, American-Egyptian.....	3,474,758	5,209,758	-----	-----	90,000	1,434,000	3,865,758	-391,000	-----	-391,000
Eggs.....	28,760,000	-----	94,500,000	-----	5,500,000	61,050,000	38,950,000	-10,190,000	-----	-10,190,000
Flaxseed.....	2,116	2,116	-----	-----	-----	-----	2,116	-----	-----	-----
Peanuts.....	26,608,947	1,608,947	34,370,000	-----	1,130,000	-----	37,108,947	-10,500,000	\$ 10,500,000	-----
Peas, dry smooth.....	3,983,704	4,504	3,960,000	-----	192,200	-----	4,156,704	-173,000	-----	-173,000
Potatoes, white.....	5,300,000	-----	22,000,000	-----	1,800,000	-----	23,800,000	-18,500,000	-----	-18,500,000
Soybeans.....	280,257,540	19,295,040	309,000,000	22,500	-----	3,060,000	325,257,540	-45,000,000	\$ 45,000,000	-----
Turkeys.....	1,875,000	-----	15,000,000	-----	-----	11,250,000	3,750,000	-1,875,000	-----	-1,875,000
Total, Steagall commodities.....	358,785,782	26,138,582	539,754,800	22,500	8,757,900	121,862,000	452,811,782	-94,026,000	\$ 55,500,000	-38,526,000
All other:										
Barley.....	2,690,818	2,440,818	-----	-----	250,000	-----	2,690,818	-----	-----	-----
Beans, castor.....	-----	11	-----	-----	-----	-----	11	-11	-----	-11
Cotton, Puerto Rican.....	357,552	357,552	-----	-----	-----	-----	357,552	-----	-----	-----
Cotton linters.....	35,840,696	7,840,696	28,000,000	-----	-----	-----	35,840,696	-----	-----	-----
Hemp.....	18,002,271	20,057,271	4,230,000	-----	-----	1,650,000	22,637,271	-4,635,000	-----	-4,635,000
Milkweed floss.....	201,798	201,798	-----	-----	-----	-----	201,798	-----	-----	-----
Naval stores.....	3,217,690	3,217,690	-----	-----	-----	-----	3,217,690	-----	-----	-----
Oats.....	9,880,684	335,684	9,045,000	-----	210,000	-----	9,590,684	+290,000	-----	+290,000
Oils, vegetable.....	21,427,146	10,927,146	10,500,000	-----	-----	-----	21,427,146	-----	-----	-----
Rye.....	4,656,533	3,126,008	771,825	-----	126,000	-----	4,023,833	+632,700	-----	+632,700
Seeds, miscellaneous.....	44,941,486	1,532,486	47,000,000	1,000,000	975,000	4,600,000	46,007,486	-1,066,000	-----	-1,066,000
Sorghum, grain.....	6,000,000	4,475,197	710,000	-----	900,000	306,600	5,778,600	+221,400	-----	+221,400
Vegetables, canned.....	4,688,000	-----	7,250,000	-----	-----	-----	7,250,000	-2,562,000	-----	-2,562,000
Wool.....	107,692,567	159,732,567	235,600,000	-----	8,000,000	235,896,000	167,436,567	-59,744,000	-----	-59,744,000
Total, all other.....	259,597,241	214,244,924	343,106,828	1,000,000	10,461,000	242,352,600	326,460,152	-66,862,911	-----	-66,862,911
Total, price support program.....	1,842,167,357	885,003,840	1,429,111,628	83,482,500	86,127,700	526,394,600	1,957,331,068	-115,163,711	85,500,000	-29,663,711
<b>SUPPLY PROGRAM</b>										
Animals, live.....	21,000,000	-----	24,000,000	-----	-----	3,000,000	21,000,000	-----	-----	-----
Cotton bagging.....	446,002	441,802	-----	-----	4,200	-----	446,002	-----	-----	-----
Fertilizer, ammonium nitrate.....	11,868,000	-----	11,094,000	-----	645,000	-----	11,739,000	+129,000	-----	+129,000
General commodity purchases.....	700,889,325	266,148,825	412,645,500	-----	39,420,000	17,325,000	700,889,325	-----	-----	-----
Peanut bags.....	1,492	1,492	-----	-----	-----	-----	1,492	-----	-----	-----
Pepper.....	3,000,000	-----	3,000,000	-----	-----	-----	3,000,000	-----	-----	-----
Other.....	-----	41,358	-----	-----	-----	-----	41,358	-41,358	-----	-41,358
Total, supply program.....	737,204,819	266,633,477	450,739,500	-----	40,069,200	20,325,000	737,117,177	+87,642	-----	+87,642
<b>FOREIGN PURCHASE PROGRAM</b>										
Cotton, foreign.....	10,793,405	9,352,405	-----	-----	-----	-----	9,352,405	+1,441,000	-----	+1,441,000
Fats and oils.....	82,295,203	28,895,203	45,400,000	-----	-----	-----	74,295,203	+8,000,000	-----	+8,000,000
Other foreign commodities.....	53,821,463	636,463	58,516,500	-----	-----	5,331,500	53,821,463	-----	-----	-----
Total, foreign purchase program.....	146,910,071	38,884,071	103,916,500	-----	-----	5,331,500	137,469,071	+9,441,000	-----	+9,441,000
Total, all programs.....	2,726,282,247	1,190,521,388	1,983,767,628	83,482,500	126,196,900	552,051,100	2,831,917,316	-105,635,069	85,500,000	-20,135,069

<sup>1</sup> Transfer to commodity export program, total \$30,000,000.

<sup>2</sup> Transfer to subsidy program, total \$55,500,000.

## COMMODITY CREDIT CORPORATION

## SCHEDULE B-1—Continued

## STATEMENT OF COST OF SALES AND GROSS GAIN OR LOSS ON SALES—Continued

FISCAL YEAR 1947

Program	Sales	Beginning inventory	Purchases	Collateral acquired	Carrying charges	Ending inventory	Cost of goods sold	Gross gain or loss on sales	Transfers and adjustments	Net gain or loss
<b>PRICE SUPPORT PROGRAM</b>										
Basic commodities:										
Cotton.....	\$141,750,000	\$135,000,000		\$36,750,000	\$6,000,000	\$47,500,000	\$130,250,000	+\$11,500,000		+\$11,500,000
Corn.....	1,800,000	550,000	\$1,100,000		150,000		1,800,000			
Rice.....	32,265,000	630,000	29,250,000		1,000,000	650,000	30,230,000	+2,035,000		+2,035,000
Tobacco.....	37,602,000	8,000,000	37,000,000		2,000	7,400,000	37,602,000			
Wheat.....	95,000,000	18,000,000	72,000,000		5,000,000		95,000,000			
Total, basic commodities.....	308,417,000	162,180,000	139,350,000	36,750,000	12,152,000	55,550,000	294,882,000	+13,535,000		+13,535,000
Steagall commodities:										
Beans, dry edible.....	1,668,000	68,000	1,600,000		64,000		1,732,000	-64,000		-64,000
Chickens, dressed.....	22,500,000	45,000,000					45,000,000	-22,500,000		-22,500,000
Cotton, American-Egyptian.....	1,200,000	1,434,000			12,000		1,446,000	-156,000		-156,000
Eggs.....	52,540,000	61,050,000	94,860,000		5,140,000		161,050,000	-108,510,000		-108,510,000
Peanuts.....	38,000,000		49,500,000	5,000,000	1,600,000	4,500,000	51,600,000	-13,600,000		-13,600,000
Peas, dry smooth.....	5,103,000		12,933,000		520,000	5,800,000	7,653,000	-2,550,000		-2,550,000
Potatoes, white.....	750,000		11,000,000		900,000		11,900,000	-11,150,000		-11,150,000
Soybeans.....	258,722,500	3,060,000	298,700,000	22,500		3,060,000	298,722,500	-40,000,000	\$40,000,000	
Turkeys.....	5,625,000	11,250,000					11,250,000	-5,625,000		-5,625,000
Other Steagall commodities.....			50,000,000			50,000,000				
Total, Steagall commodities.....	386,198,500	121,862,000	518,593,000	5,022,500	8,236,000	63,360,000	590,353,500	-204,155,000	40,000,000	-164,155,000
All other:										
Hemp.....	2,050,000	1,650,000	400,000				2,050,000			
Oats.....	700,000		600,000		75,000		675,000	+25,000		+25,000
Oils, vegetable.....	10,000,000		10,000,000				10,000,000			
Seeds, miscellaneous.....	37,250,000	4,500,000	34,500,000		775,000	1,750,000	38,025,000	-775,000		-775,000
Sorghum, grain.....	306,600	306,600		800,000	180,000	1,056,000	230,600	+76,000		+76,000
Wool.....	180,500,000	235,896,000	142,800,000		7,821,000	167,167,000	219,350,000	-38,850,000		-38,850,000
Other.....			50,000,000			50,000,000				
Total, all other.....	230,806,600	242,352,600	238,300,000	800,000	8,851,000	219,973,000	270,330,600	-39,524,000		-39,524,000
Total, price support program.....	925,422,100	526,394,600	896,243,000	42,572,500	29,239,000	338,883,000	1,155,566,100	-230,144,000	40,000,000	-190,144,000
<b>SUPPLY PROGRAM</b>										
Animals, live.....	43,000,000	3,000,000	40,000,000				43,000,000			
Fertilizer, ammonium nitrate.....	13,800,000		12,900,000		750,000		13,650,000	+150,000		+150,000
General commodity purchases.....	17,325,000	17,325,000					17,325,000			
General supply purchases.....	309,606,500		304,310,500		18,716,000	13,420,000	309,606,500			
Total, supply program.....	383,731,500	20,325,000	357,210,500		19,466,000	13,420,000	383,581,500	+150,000		+150,000
<b>FOREIGN PURCHASE PROGRAM</b>										
Fats and oils.....	45,000,000		45,000,000				45,000,000			
Other foreign commodities.....	61,849,500	5,331,500	56,518,000				61,849,500			
Total, foreign purchase program.....	106,849,500	5,331,500	101,518,000				106,849,500			
Total, all programs.....	1,416,003,100	552,051,100	1,354,971,500	42,572,500	48,705,000	352,303,000	1,645,997,100	-229,994,000	40,000,000	-189,994,000

<sup>6</sup> Transfer to subsidy program, total \$40,000,000.

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
01 Personal services (net)	1,549.9 \$3,745,774	1,922.5 \$4,795,565	1,975.2 \$4,861,685
02 Travel	85,532	129,700	133,900
03 Transportation of things	22,692	24,300	24,035
04 Communication services	108,261	161,000	161,390
05 Rents and utility services	327,625	491,300	488,550
06 Printing and binding	140,226	165,900	161,250
07 Other contractual services:			
Miscellaneous contractual services	107,197	119,159	119,491
Alaska spruce log program	57,000	7,000	
08 Supplies and materials	65,599	74,900	75,534
09 Equipment	15,893	10,300	21,750
Total other obligations	930,025	1,183,559	1,185,900
Grand total obligations	4,675,799	5,979,124	6,047,585
Reimbursements for services performed	-3,126		
Transferred to—			
"Salaries and expenses, Office of Secretary of Agriculture"	+61,390	+69,950	+68,480
"Penalty mail, Department of Agriculture"	+29,070	+30,000	+30,000
"Salaries and expenses, Office of Solicitor, Department of Agriculture"	+75,000	+85,183	+112,115
"Salaries and expenses, Office of Information, Department of Agriculture"	+11,179	+12,854	+12,555
"Salaries and expenses, Library, Department of Agriculture"	+750	+872	+850
"Salaries and expenses, Bureau of Agricultural Economics," economic investigations	+62,933	+72,500	+71,150
"Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938"	+31,667	+242,089	+127,780
"Local administration, sec. 388, Agricultural Adjustment Act of 1938"	+1,808,333	+2,434,180	+2,284,180
"Salaries and expenses, Office of Treasurer of the United States"	+1,050	+491	+468
"Printing and binding, Office of Treasurer of the United States"	+50		
"Salaries and expenses, Division of Disbursement, Treasury Department"	+9,414	+5,121	+4,701
"Printing and binding, Division of Disbursement, Treasury Department"	+203	+136	+136
Net total obligations	6,763,712	8,932,500	8,760,000
Covered into Treasury as miscellaneous receipts, Public Law 529	+8,253		
Payable from funds of the Corporation	-7,208,526	-7,914,500	-8,760,000
Excess of obligations over authorization due to Public Law 106		-743,000	
Increase in authorization for foreign food programs		-275,000	
Unobligated balance of authorization	436,561		
Total estimate or appropriation			

SCHEDULE B-3

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grades	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, DEPARTMENTAL			
Clerical, administrative, and fiscal service—Continued			
Grade 15. Range \$8,750 to \$9,800:			
Chief of division		0.5 \$4,275	0.7 \$6,218
Grade 14. Range \$7,175 to \$8,225:			
Administrative officer	1.8 \$11,920	1.3 12,774	1.3 12,774
Assistant chief of division		0.5 3,404	0.7 4,951
Assistant director, fruit and vegetable branch		0.5 4,112	0.5 4,112
Assistant director, tobacco branch		0.3 2,231	0.3 2,231
Chief of division		0.3 2,231	0.3 2,231
Chief of section		3.8 27,551	5.5 40,731
Investigator		0.4 2,975	0.4 2,975
Marketing specialist		2.1 15,487	2.1 15,487
Special assistant to director, budget and management branch		0.1 718	0.1 718
Grade 13. Range \$6,230 to \$7,070:			
Accountant	0.1 5,631		
Administrative analyst		0.1 623	0.1 623
Administrative officer	8.5 46,836	4.2 26,544	4.2 26,544
Assistant to the administrator	0.2 1,229	0.1 623	0.1 623
Assistant treasurer	0.1 253	0.9 5,607	0.9 5,607
Auditor	1 5,351	1 6,440	1 6,440
Chief of division		2 12,880	2 12,880
General traffic manager		0.4 2,576	0.4 2,576
Investigator		1 6,230	1 6,230

By grades	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, DEPARTMENTAL—CON.			
Clerical, administrative, and fiscal service—Continued			
Grade 13. Range \$6,230 to \$7,070—Con.			
Marketing specialist	5.1 \$28,492	5.6 \$35,812	5.6 \$35,812
Procedure analyst		0.5 3,220	0.5 3,220
Special representative	0.8 4,623		
Assistant chief of section		0.5 3,055	0.7 4,444
Commodity specialist		1.4 8,966	2.1 13,041
Grade 12. Range \$5,180 to \$6,020:			
Accountant	3.1 14,225	3.8 20,789	3.8 20,789
Administrative analyst	3.1 14,201	4.5 24,163	4.5 24,163
Administrative officer	6.8 33,360	8.2 46,032	8.4 47,369
Auditor	0.4 1,750	1.5 7,737	1.5 7,737
Budget analyst	1 4,625	1.3 6,759	1.3 6,759
Commercial specialist	0.2 958	0.3 1,400	0.3 1,400
Commodity specialist		2.4 12,585	3.5 18,306
Constructive accountant		1 5,180	1 5,180
Fiscal analyst		1 5,180	1 5,180
Marketing specialist	4 18,309	6 31,462	6 31,462
Procurement officer	1.1 5,021	1.4 7,338	1.4 7,338
Grade 11. Range \$4,300 to \$5,180:			
Accountant	0.2 633	0.3 1,166	0.3 1,166
Administrative analyst	0.7 2,692	1.9 8,650	1.9 8,650
Administrative officer	7.1 27,088	10.6 45,621	10.6 46,061
Auditor	0.7 2,693	3.7 15,588	3.9 16,625
Constructive accountant		1 4,300	1 4,300
Field representative		3.2 15,195	3.2 15,305
Fiscal accountant		1 4,300	1 4,300
Marketing specialist		1.4 5,867	1.4 5,867
Procurement officer	2 7,686	2.3 9,865	2.3 9,865
Grade 10. Range \$3,970 to \$4,630:			
Administrative officer	1.5 5,250	1.3 5,250	1.3 5,250
Grade 9. Range \$3,640 to \$4,300:			
Accountant	1.5 4,953	2.7 8,028	2.7 8,028
Administrative assistant	9.6 31,425	12.5 47,297	11.5 44,097
Analyst	1.3 4,071	3.5 12,729	3.5 12,839
Auditor	2.8 9,487	4.9 19,019	4.9 19,239
Constructive accountant		1 3,640	1 3,640
Field representative		1.4 5,213	1.4 5,213
Fiscal accountant		2.7 9,691	2.7 9,801
Personnel technician		0.2 864	0.2 864
Procurement officer	1 3,258	1.4 5,281	1.4 5,281
Grade 8. Range \$3,310 to \$3,970:			
Administrative officer	0.7 1,949		
Grade 7. Range \$2,980 to \$3,640:			
Administrative officer	34 88,408	27.8 85,970	28.3 89,244
Grade 6. Range \$2,650 to \$3,310:			
Administrative officer	1.6 3,825	2.4 6,519	2.4 6,519
Grade 5. Range \$2,320 to \$2,980:			
Administrative officer	33.3 66,698	44.8 106,624	46.3 110,125
Grade 4. Range \$2,100 to \$2,496:			
Administrative officer	42.3 75,292	56 133,479	58 133,479
Grade 3. Range \$1,902 to \$2,298:			
Administrative officer	43.2 67,338	43.1 85,473	42.5 85,464
Grade 2. Range \$1,704 to \$2,100:			
Administrative officer	12.5 17,462	26.9 47,593	27.3 48,922
Professional service:			
Grade 7. Range \$7,175 to \$8,225:			
Agricultural economist		0.7 5,049	0.7 5,049
Assistant director, compliance and investigation branch		0.2 1,540	0.2 1,540
Grade 6. Range \$6,230 to \$7,070:			
Agricultural economist	2.3 12,600	3.2 20,134	3.4 21,477
Industrial engineer	0.7 3,764		
Information specialist		1 6,440	1 6,440
Price analyst		0.3 1,869	0.3 1,869
Grade 5. Range \$5,180 to \$6,020:			
Program analyst		0.5 2,557	0.7 3,719
Grade 4. Range \$4,300 to \$5,180:			
Contract officer		0.9 4,080	1.4 5,934
Program analyst		0.5 2,040	0.7 2,967
Grade 3. Range \$3,640 to \$4,300:			
Agricultural economist		0.5 1,727	0.7 2,512
Grade 2. Range \$2,980 to \$3,640:			
Administrative officer		0.5 1,413	0.7 2,056
Crafts, protective, and custodial service:			
Grade 4. Range \$1,770 to \$2,166:			
Administrative officer		0.3 515	0.3 515
Grade 3. Range \$1,572 to \$1,902:			
Administrative officer	2.8 4,719	7.1 11,906	7.1 11,906
Grade 2. Range \$1,440 to \$1,770:			
Administrative officer	8.5 11,495	3.7 5,679	3.7 5,679
Department of Agriculture grades:			
Grade 29. Rate of \$10,000:			
Deputy administrator		0.1 1,000	0.1 1,000
Grade 28. Range \$9,800 to \$10,000:			
Associate director, fruit and vegetable branch		0.1 1,000	0.1 1,000
Director, budget and management branch		0.1 980	0.1 980
Director, compliance and investigations branch		0.1 980	0.1 980
Director, dairy branch		0.2 2,000	0.2 2,000
Director, fruit and vegetable branch		0.2 1,960	0.2 1,960
Director, grain branch		0.2 2,000	0.2 2,000
Director, office of price		0.3 3,000	0.3 3,000
Director, sugar branch		0.6 5,880	0.6 5,880
Treasurer		0.3 2,250	0.2 1,960
Vice president		1.2 10,424	
Grade 27. Range \$9,275 to \$9,800:			
Assistant treasurer	0.5 4,486	0.8 7,420	0.8 7,420
Grade 26. Range \$8,750 to \$9,800:			
Assistant director, cotton branch		0.1 901	0.1 901
Assistant director, fiscal branch		0.2 1,750	0.2 1,750
Assistant director, grain branch		0.1 901	0.1 901
Assistant to administrator	0.2 1,333	0.8 7,210	0.8 7,210
Chief auditor		0.5 4,375	0.5 4,375
Chief of division		0.1 901	0.1 901
Deputy director, budget and management branch		0.2 1,750	0.2 1,750
Deputy director, office of price		0.3 2,704	0.3 2,704
Director, fats and oils branch	0.8 6,667	0.1 901	0.1 901
Director, special commodities branch		0.1 901	0.1 901
Director, tobacco branch		0.1 901	0.1 901
Sugar specialist		0.1 928	0.1 928
Treasurer	0.1 750		

COMMODITY CREDIT CORPORATION

By grades	1945, actual	1946, estimated	1947, estimated	By grades	1945, actual	1946, estimated	1947, estimated
<b>PERSONAL SERVICES, DEPARTMENTAL—CON.</b>				<b>PERSONAL SERVICES, FIELD—continued</b>			
Department of Agriculture grades—Con.	Man-years Amount	Man-years Amount	Man-years Amount	Clerical, administrative, and fiscal service—Continued	Man-years Amount	Man-years Amount	Man-years Amount
Grade 25. Range \$8,225 to \$9,275:				Grade 9. Range \$3,640 to \$4,300:			
Assistant auditor		0.5 \$4,113	0.5 \$4,113	Administrative assistant	14.7 \$48,561	13.7 \$49,837	13.9 \$51,612
Grade 24. Range \$7,700 to \$8,750:				Assistant chief of section	1.5 4,800	1.2 4,460	1.2 4,460
Assistant deputy director		0.1 770	0.1 770	Assistant chief of division	0.1 331	0.2 828	0.2 828
Assistant director, cotton branch	1 \$7,000	0.4 3,080	0.4 3,080	Assistant unit head	0.2 661	0.3 995	0.3 995
Assistant director, dairy branch		0.1 770	0.1 770	Auditor	0.1 267	5.9 24,959	5.9 25,179
Assistant director, fats and oils branch		0.3 2,310	0.3 2,310	Chief of section	2.7 8,666	1.2 4,595	1.2 4,595
Assistant director, grain branch	1 7,010	0.2 1,592	0.2 1,592	Commodity examiner		0.5 1,779	0.7 2,588
Assistant director, poultry branch		0.1 770	0.1 770	Commodity specialist	5.5 18,172	8.3 32,879	9.2 36,443
Assistant director, special commodities branch		0.1 770	0.1 770	Constructive accountant		1 3,640	1 3,640
Assistant to administrator	0.8 5,954	0.5 4,113	0.5 4,113	Field representative	0.5 1,380	1 3,640	1 3,640
Assistant to director, grain branch	1 7,125	0.2 1,592	0.2 1,592	Fiscal accountant	1.5 4,800	9.6 35,465	9.8 36,250
Chief of hemp and fiber flax division	1 7,750	0.4 3,080	0.4 3,080	Foreign traffic clerk		0.5 1,727	0.7 2,512
Treasurer	0.7 4,758			Insurance assistant		0.5 1,727	0.7 2,512
Grade 23. Range \$7,175 to \$8,225:				Marketing specialist	5.4 17,720	5.5 20,148	5.5 20,148
Assistant chief of division		0.5 3,588	0.5 3,588	Personnel assistant		0.5 1,727	0.7 2,512
Assistant director, sugar branch	1 6,500	0.9 6,693	0.9 6,693	Personnel technician	0.6 2,062	1 3,696	1 3,696
Assistant to director, cotton branch	1 6,500	0.4 2,975	0.4 2,975	Purchase and sales officer	0.4 1,321	0.7 2,986	0.7 2,986
Assistant to director, grain branch		0.2 1,487	0.2 1,487	Rate auditor	0.5 1,652	0.8 2,864	0.8 2,864
Assistant to director, special commodities branch	0.5 3,537			Seed specialist	0.2 661	0.2 850	0.2 850
Chief of division		0.7 5,023	0.7 5,023	Subunit head	0.2 661	0.2 850	0.2 850
Grade 22. Range \$6,440 to \$7,490:				Terminal supervisor	0.2 661	0.2 850	0.2 850
Administrative officer	1.9 10,870			Traffic officer	0.7 2,133	2.4 8,663	2.6 9,558
Grade 21. Range \$6,230 to \$7,070:				Unit head	8.1 26,762	6.7 24,912	6.7 25,352
Administrative officer		0.4 2,492	0.4 2,492	Warehouse examiner	0.6 1,982	5.8 21,076	5.8 21,076
Chief of section		0.3 1,890	0.3 1,890	Grade 7. Range \$2,980 to \$3,640:	80	99.8	103.8
Total permanent, departmental	266.8	348.2	357	213,545	298,694	313,712	
W. A. E. employment, departmental	767,524	1,209,256	1,257,369	Grade 6. Range \$2,650 to \$3,310:	6.5 15,643	14.1 37,999	17.4 47,278
Overtime pay, departmental	6.6 6,963	8 8,440	8 8,440	Grade 5. Range \$2,320 to \$2,980:	100.2	107.6	110.7
All personal services, departmental	273.4	356.2	365	209,662	253,274	265,042	
	906,834	1,240,475	1,265,809	Grade 4. Range \$2,100 to \$2,496:	136.3	206.5	218.8
				248,588	419,379	447,286	
				Grade 3. Range \$1,902 to \$2,298:	247	304.5	320.1
				410,947	588,374	620,714	
				Grade 2. Range \$1,704 to \$2,100:	400.4	442.3	442.9
				582,805	776,507	781,380	
				Grade 1. Range \$1,506 to \$1,902:	178	201.7	201.7
				213,976	315,623	315,998	
				Professional service:			
				Grade 6. Range \$6,230 to \$7,070:		0.7 4,508	0.7 4,508
				Assistant chief of section		1.8 5,352	1.8 5,352
				Grade 2. Range \$2,980 to \$3,640:			
				Subprofessional service:			
				Grade 5. Range \$2,100 to \$2,496:	0.7 1,432	1.2 2,538	1.2 2,538
				Crafts, protective, and custodial service:			
				Grade 3. Range \$1,572 to \$1,902:	0.8 1,265	2.8 4,507	3 4,885
				Grade 2. Range \$1,440 to \$1,770:	24.8 25,130	25 37,494	25 37,494
				Total permanent, field	1,274.5	1,562.1	1,606
				2,332,890	3,454,175	3,582,478	
				Temporary employment, field	1.2 1,055	2 4,640	2 4,640
				Part time employment, field	0.6 1,041	1.6 2,853	1.6 2,853
				W. A. E. employment, field	0.2 217	0.6 710	0.6 710
				Overtime pay, field	503,737	89,140	5,195
				Allowance for living quarters		3,572	
				All personal services, field	1,276.5	1,566.3	1,610.2
				2,838,940	3,555,090	3,595,876	
				01 Personal services (net) (schedule B-2)	1,549.9	1,922.5	1,975.2
				3,745,774	4,795,565	4,861,685	

SCHEDULE B-4

ADMINISTRATIVE EXPENSES, RECONSTRUCTION FINANCE CORPORATION (U. S. C. C.) (TRANSFER TO AGRICULTURE, FOREIGN FOOD PROGRAMS)

By objects	1945, actual	1946, estimated	1947, estimated
Obligations		\$125,000	
Received by transfer from "Administrative expenses, Reconstruction Finance Corporation (U. S. Commercial Company)"		-125,000	
Total estimate or appropriation			

**SCHEDULE B-5**  
**COMPARATIVE STATEMENT ON COSTS OF SUBSIDY PROGRAM**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Dairy production payments</b> .....	\$532,253,665	\$496,500,000	\$515,000,000
<b>Other noncrop operations:</b>			
Beef production .....	5,000,156	40,000,000	
Sheep and lamb subsidy .....		36,000,000	36,000,000
Cheddar cheese .....	18,472,810	10,500,000	
Fertilizer, phosphate .....	89,345		
Milk, fluid .....	12,902,735	12,000,000	14,000,000
Peanut butter .....	9,051,802	4,895,800	
Shortening .....	1,007,559	500,000	
Wheat for feed .....	<sup>1</sup> 53,800,000	1,000,000	
<b>Total, other noncrop operations</b> .....	100,324,407	104,895,800	50,000,000
<b>Operations on a crop year basis:</b>			
Beans, dry edible .....	3,676,691	5,325,000	
Corn, purchase and shelling, and ceiling-price adjustment .....	1,929,610		
<b>Fruits for processing:</b>			
Apples .....	182,604		
Grapefruit juice .....	1,076,018	6,000,000	
Grapes and raisins .....	22,503,815	11,350,000	17,600,000
Prunes .....		5,888,000	7,900,000
Peaches .....			200,000
Pears .....	142,237		300,000
<b>Total, fruits for processing</b> .....	23,904,674	23,238,000	26,000,000
<b>Oilseeds and products:</b>			
Cotton Linters .....	<sup>2</sup> 158,344		
Flaxseed .....		1,000,000	15,000,000
Oils, vegetable .....	<sup>2</sup> 251,423		
Peanuts .....	<sup>2</sup> 9,119,557	<sup>2</sup> 10,500,000	
Soybeans .....	<sup>2</sup> 43,670,531	<sup>2</sup> 45,000,000	<sup>2</sup> 40,000,000
<b>Total, oilseeds and products</b> .....	52,380,321	56,500,000	55,000,000
Sugar, Cuban .....	<sup>3</sup> 52,536,192		
Sugar, all other .....	62,515,381	80,303,000	43,800,000
Vegetables for processing .....	14,974,414	52,346,000	35,200,000
<b>Total, operations on a crop-year basis</b> .....	106,794,899	217,712,000	160,000,000
<b>Adjustment to prior year activity</b> .....	184,070		
<b>Total, subsidy program</b> .....	739,557,041	819,107,800	725,000,000

<sup>1</sup> Amount estimated.<sup>2</sup> Loss on sales chargeable against the subsidy program.<sup>3</sup> Indicates profit.

**SCHEDULE B-6**  
**COMPARATIVE STATEMENT ON COSTS OF COMMODITY EXPORT PROGRAM**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>PROGRAM</b>			
Cotton .....	<sup>1</sup> \$2,951,507	<sup>1</sup> \$30,000,000	\$30,000,000
Wheat .....	993,084	260,628	
<b>Total</b> .....	3,944,591	30,260,628	30,000,000

<sup>1</sup> Loss on sales chargeable against the commodity export program.

## COMMODITY CREDIT CORPORATION

## SCHEDULE C-1

## COMPARATIVE STATEMENT OF COMMITMENTS AGAINST BORROWING AUTHORIZATION

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Borrowings as of the beginning of the fiscal year:</b>			
U. S. Treasury .....	\$900,000,000	\$1,591,000,000	\$1,120,000,000
Private lending agencies .....	1,004,306,702	633,141,879	550,000,000
<b>Total</b> .....	<b>1,904,306,702</b>	<b>2,224,141,879</b>	<b>1,670,000,000</b>
Reserve for postwar price support .....			500,000,000
<b>Program requirements:</b>			
Price support program .....	1,953,471,215	1,702,244,773	1,608,347,000
Supply program .....	175,000,000	31,000,000	119,000,000
Foreign purchase program .....	15,000,000	17,000,000	25,000,000
Commodity export program .....	993,084	260,628	30,000,000
Subsidy program .....	633,376,720	763,607,800	685,000,000
Loan to the Secretary of Agriculture for agricultural conservation purposes .....	46,000,000	9,314,528	9,000,000
<b>Total, program requirements</b> .....	<b>2,823,841,019</b>	<b>2,523,427,729</b>	<b>2,476,347,000</b>
Reserve for contingencies .....	21,852,279	2,430,302	103,653,000
<b>Authorized borrowings</b> .....	<b>4,750,000,000</b>	<b>4,750,000,000</b>	<b>4,750,000,000</b>

## SCHEDULE C-2

## STATEMENT OF LOANS RECEIVABLE

Price support program	Outstanding loans at beginning of year	New loans made	Repayments	Collateral acquired in settlement of loans	Write-offs	Outstanding loans at end of year
<b>FISCAL YEAR 1945 *</b>						
<b>Basic commodities:</b>						
Corn.....	\$5,247,605	\$18,370,119	\$7,047,867	*\$178,704	\$16,668	\$16,731,893
Cotton.....	399,279,106	217,629,673	259,576,683	105,506,487	128,860	251,696,749
Tobacco.....	736,582	1,043,169	922,831	-----	-----	856,920
Wheat.....	23,592,386	250,280,787	148,254,338	94,816,012	† 5,250	30,808,073
Total, basic commodities.....	428,855,679	487,323,748	415,801,719	200,143,795	140,278	300,093,635
<b>Steagall commodities:</b>						
Beans, dry edible.....	2,388	-----	2,388	-----	-----	-----
Flaxseed.....	877,226	164,038	972,235	-----	1,255	67,774
Peas, smooth, dry edible.....	45,602	189,764	56,317	31,880	-----	147,169
Potato, white.....	3,789,085	7,198,158	10,018,134	15,250	624,480	329,379
Soybeans.....	195,752	162,697	338,382	-----	-----	20,067
Peanuts.....	-----	16,819,447	13,340,308	-----	-----	3,479,139
Total, Steagall commodities.....	4,910,053	24,534,104	24,727,764	47,130	625,735	4,043,528
<b>All other:</b>						
Barley.....	122,199	2,801,499	2,278,662	34,883	384	609,769
Flax, fiber.....	329,243	166,586	269,425	-----	-----	226,404
Naval stores.....	257,981	-----	187,545	-----	† 11,977	82,413
Rye.....	37,345	44,313	72,529	285	3	8,841
Seeds, miscellaneous.....	-----	2,291,410	46,417	1,210,746	-----	1,034,247
Sorghums, grain.....	7,680	7,819,453	2,275,919	3,486,765	-----	2,064,449
Other.....	1,576,390	188,473	978,725	-----	377,361	408,777
Total, all other.....	2,330,838	13,311,734	6,109,222	4,732,679	365,771	4,434,900
<b>Accrued carrying charges on loans held by lending agencies:</b>						
Interest charges.....	425,736	1,541,973	-----	-----	-----	1,967,709
Carrying charges.....	1,116,651	2,622,797	-----	-----	-----	3,739,448
Total, accrued carrying charges.....	1,542,387	4,164,770	-----	-----	-----	5,707,157
<b>Total, price support program, 1945.....</b>	<b>437,638,957</b>	<b>529,334,356</b>	<b>446,638,705</b>	<b>204,923,604</b>	<b>1,131,784</b>	<b>314,279,220</b>
<b>FISCAL YEAR 1946</b>						
<b>Basic commodities:</b>						
Corn.....	16,731,893	10,100,000	25,821,893	-----	-----	1,010,000
Cotton.....	251,696,749	27,000,000	143,736,749	82,460,000	-----	52,500,000
Tobacco.....	856,920	6,355,000	2,406,920	-----	-----	4,805,000
Wheat.....	30,808,073	98,000,000	128,808,073	-----	-----	-----
Total, basic commodities.....	300,093,635	141,455,000	300,773,635	82,460,000	-----	58,315,000
<b>Steagall commodities:</b>						
Flaxseed.....	67,774	170,000	237,774	-----	-----	-----
Peas, smooth, dry edible.....	147,169	-----	147,169	-----	-----	-----
Potato, sweet.....	-----	83,000	83,000	-----	-----	-----
Potato, white.....	329,379	40,000,000	39,529,379	-----	-----	800,000
Soybeans.....	20,067	225,000	222,567	22,500	-----	-----
Peanuts.....	3,479,139	-----	3,479,139	-----	-----	-----
Total, Steagall commodities.....	4,043,528	40,478,000	43,699,028	22,500	-----	800,000
<b>All other:</b>						
Barley.....	609,769	640,000	1,249,769	-----	-----	-----
Flax, fiber.....	226,404	-----	226,404	-----	-----	-----
Naval stores.....	82,413	5,420	87,833	-----	-----	-----
Oats.....	-----	1,200,000	1,200,000	-----	-----	-----
Rye.....	8,841	22,425	31,266	-----	-----	-----
Seeds, miscellaneous.....	1,034,247	1,200,000	834,247	1,000,000	-----	400,000
Sorghums, grain.....	2,064,449	4,600	2,069,049	-----	-----	-----
Other.....	408,777	-----	408,777	-----	-----	-----
Total, all other.....	4,434,900	3,072,445	6,107,345	1,000,000	-----	400,000

\*Decrease.

† Indicates recovery on loans written off.

## COMMODITY CREDIT CORPORATION

SCHEDULE C-2—Continued  
STATEMENT OF LOANS RECEIVABLE—Continued

Price support program	Outstanding loans at be- ginning of year	New loans made	Repayments	Collateral acquired in settlement of loans	Write-offs	Outstanding loans at end of year
<b>FISCAL YEAR 1946—Continued</b>						
<b>Accrued carrying charges on loans held by lending agencies:</b>						
Interest charges.....	\$1,967,709	\$500,000	\$1,967,709			\$500,000
Carrying charges.....	3,739,448	1,500,000	3,739,448			1,500,000
Total, accrued carrying charges.....	5,707,157	2,000,000	5,707,157			2,000,000
<b>Total, price support program, 1946.....</b>	<b>314,279,220</b>	<b>187,005,445</b>	<b>356,287,165</b>	<b>\$83,482,500</b>		<b>61,515,000</b>
<b>FISCAL YEAR 1947</b>						
<b>Basic commodities:</b>						
Corn.....	1,010,000	101,000,000	50,500,000			51,510,000
Cotton.....	32,500,000	220,000,000	125,750,000	36,750,000		110,000,000
Rice.....		16,485,000	16,485,000			
Tobacco.....	4,805,000	1,250,000	2,900,000			3,155,000
Wheat.....		224,000,000	224,000,000			
Total, basic commodities.....	58,315,000	562,735,000	419,635,000	36,750,000		164,665,000
<b>Steagall commodities:</b>						
Beans, dry edible.....		2,250,000	2,250,000			
Flaxseed.....		280,000	280,000			
Potato, sweet.....		2,500,000	2,300,000			200,000
Potato, white.....	800,000	60,000,000	59,480,000			1,320,000
Soybeans.....		225,000	202,500	22,500		
Peanuts.....		5,000,000		5,000,000		
Total, Steagall commodities.....	800,000	70,255,000	64,512,500	5,022,500		1,520,000
<b>All other:</b>						
Barley.....		6,400,000	6,016,000			384,000
Naval stores.....		5,000,000	5,000,000			
Oats.....		19,200,000	19,200,000			
Rye.....		75,000	75,000			
Seeds, miscellaneous.....	400,000	200,000	120,000			480,000
Sorghums, grain.....		12,000,000	8,000,000	800,000		3,200,000
Total, all other.....	400,000	42,875,000	38,411,000	800,000		4,064,000
<b>Accrued carrying charges on loans held by lending agencies:</b>						
Interest charges.....	500,000	3,000,000	500,000			3,000,000
Carrying charges.....	1,500,000	4,000,000	1,500,000			4,000,000
Total, accrued carrying charges.....	2,000,000	7,000,000	2,000,000			7,000,000
<b>Total, price support program, 1947.....</b>	<b>61,515,000</b>	<b>682,865,000</b>	<b>524,558,500</b>	<b>42,572,500</b>		<b>177,249,000</b>

## SCHEDULE C-3

## STATEMENT OF RESULTS OF TREASURY APPRAISALS

[Actual, 1938-44; estimated, 1945-47]

Period	Capital impairment	Surplus covered into Treasury	Cumulative net payments by Treasury
<b>Appropriation of impairment or surplus* covered into Treasury:</b>			
Year ending Mar. 31—			
1938 .....	<sup>1</sup> \$94, 285, 405		\$94, 285, 405
1939 .....	119, 599, 918		213, 885, 323
1940 .....		* \$43, 756, 731	170, 128, 592
1941 .....	1, 637, 445		171, 766, 037
1942 .....		*27, 815, 513	143, 950, 524
1943 .....			143, 950, 524
1944 .....	<sup>2</sup> 256, 764, 881		400, 715, 405
Total .....	472, 287, 649	*71, 572, 244	
<b>Estimated impairment:</b>			
15 months ending June 30, 1945 <sup>1</sup> .....	921, 456, 561		1, 322, 171, 966
Year ending June 30—			
1946 .....	<sup>4</sup> 891, 174, 000		2, 213, 345, 966
1947 .....	<sup>4</sup> 966, 529, 000		3, 179, 874, 966
Total, estimated impairment .....	2, 779, 159, 561		
Total, actual (1938-44) and estimated (1945-47) .....	3, 251, 447, 210	*71, 572, 244	3, 179, 874, 966

\*Deduct.

<sup>1</sup> This amount is cumulative from Oct. 17, 1933, as no appraisals were made prior to Mar. 31, 1938.<sup>2</sup> Includes \$39,436,885 capital impairment for the year ending Mar. 31, 1943, which was not appropriated by the Congress until the following year's appraisal.<sup>3</sup> The act of Mar. 8, 1938 (U. S. C. 1940 ed. supp. III, title 15, sec. 713 A-1), as amended by the act approved Apr. 12, 1945, changed the date of appraisal to June 30 of each year. Therefore, the estimated impairment as of June 30, 1945, covers a 15-month period.<sup>4</sup> Represents estimated realized losses only. See exhibit B.

## SCHEDULE D-1

## STATEMENT OF PROPOSED EXPENDITURES FOR PURCHASE, MAINTENANCE, REPAIR, AND OPERATION OF PASSENGER-CARRYING VEHICLES FOR THE FISCAL YEAR ENDING JUNE 30, 1947

Appropriation	Vehicles (motor unless otherwise indicated) to be purchased		Old vehicles to be exchanged		Net cost of vehicles to be purchased	Old vehicles still to be used	Total maintenance, repair, and operation, all vehicles	Public purpose and users
	Number	Gross cost	Number	Allowance (estimated)				
Administrative expenses, Commodity Credit Corporation.	10	\$10, 500			\$10, 500		\$3, 000	For use of warehouse examiners in inspection of commodities in connection with loan and purchase program.

## FEDERAL CROP INSURANCE CORPORATION

### CREATION AND PURPOSE

The Federal Crop Insurance Corporation was created February 16, 1938, by the Federal Crop Insurance Act (7 U. S. C. 1501 *et. seq.*) for the purpose of insuring producers of wheat against loss in yields not to exceed 75 per centum of the farm average yield, due to unavoidable causes, including weather and other hazards. On June 21, 1941, the act was amended (55 Stat. 257) to include insurance of cotton commencing with the cotton crop planted for harvest in 1942. A proviso in the Department of Agriculture Appropriation Acts of 1944 (July 12, 1943, 57 Stat. 418) and 1945 (June 28, 1944, 58 Stat. 425) directed that these programs be discontinued effective after the 1943 crop year except for liquidation of existing contracts.

The act was further amended on December 23, 1944 (58 Stat. 918). This amendment repealed the foregoing provisos and authorized the insurance of producers of wheat, cotton, and flax against loss in yields, not to exceed 75 per centum of the farm average yield, commencing with crops planted for harvest in 1945.

In addition, the act as thus amended authorized the Corporation to undertake trial programs with respect to insurance of any other agricultural commodities for which sufficient actuarial data are available. These programs were limited by law to corn and tobacco in 1945 and to not more than three additional crops each year thereafter. Each such program is limited to not more than 20 representative counties for each crop and to a period of not more than 3 years. It also provided that such insurance may cover a percentage not in excess of 75 per centum of the investment in the crop. Otherwise, these programs are subject to the same limitations and conditions as are imposed by the act upon wheat, cotton, and flax insurance.

### FINANCIAL ORGANIZATION

*Capital funds.*—The Federal Crop Insurance Act provides that the Corporation shall have a capital stock of \$100,000,000 (7 U. S. C. 1504 (a)) subscribed by the United States of America.

Under the Department of Agriculture Appropriation Act of 1939 (June 16, 1938, 52 Stat. 746), \$20,000,000 was made available to the Secretary of the Treasury for purchase of Capital Stock of the Corporation. An additional \$20,000,000 was made available for this purpose by the Second Deficiency Appropriation Act of 1940, approved June 27, 1940 (54 Stat. 640).

Under the First Deficiency Appropriation Act of 1945, approved April 25, 1945 (59 Stat. 77), an additional \$30,000,000 was made available to the Secretary of the Treasury for purchase of capital stock of the Corporation. The Secretary of the Treasury did not subscribe for this additional stock until after June 30, 1945; therefore, all entries recording the subscription, issuance, and payment for such stock are reflected in the exhibits and schedules for the fiscal year 1946. A statement of condition of the Corporation is shown immediately following the textual material (exhibit C).

*Administrative appropriations.*—The Federal Crop Insurance Act, as amended (7 U. S. C. 1516 (a)), authorizes annual appropriations by Congress of not to exceed \$12,000,000 for any fiscal year to cover the administrative and operating expenses of the Corporation.

The 1945 Appropriation Act (58 Stat. 425) for the Department of Agriculture reappropriated \$350,000 from prior year unobligated balance for continued liquidation during the fiscal year 1945, since the language contained in the 1944 Appropriation Act (57 Stat. 418) for the Department of Agriculture provided funds only for liquidation of insurance contracts obtained prior to July 31, 1943.

Public Law 551, approved December 23, 1944 (58 Stat. 918), reinstated the crop insurance program and reappropriated an additional \$3,000,000 from prior year unobligated balances for administrative and operating expenses during the remainder of fiscal year 1945.

A statement showing the actual expenditures for the fiscal year 1945 and the estimated expenditures for the fiscal years 1946 and 1947 is shown following the textual material (schedules B-2, and B-3). These estimates of administrative expenses do not provide for the cost of General Accounting Office audits pursuant to Public Law 248 (79th Congress) since bases for making such estimates are not available.

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

*Problem and significance.*—Each year throughout the United States, thousands of farmers suffer partial or total loss of their crops due to causes beyond their control. Such losses have caused economic distress among the farmers and in many cases have resulted in the loss of their farms. Such a condition often causes farm families to become a burden on society and contributes to the shifting of farm families to cities.

The crop insurance program was designed to give the farmer protection against having his income wiped out or greatly reduced by unfavorable weather or some other disaster. This protection is sorely needed by the small farmers, who in most instances have no financial reserve to tide them over until another crop can be produced.

Federal Crop Insurance is the only available source for farmers to obtain all-risk insurance against unavoidable losses. Private companies offer insurance against specific losses only, such as hail and fire. Only a small percentage of the Corporation's losses have resulted from these causes. The principal causes of losses under the Federal Crop Insurance contracts have been drought, floods, winterkill, excessive moisture, and insect infestation.

*Insurance program.*—All-risk crop insurance was available to producers of wheat for a period of 5 years, 1939-43, and to producers of cotton for 2 years, 1942-43. The Corporation was in the process of liquidation from July 12, 1943, until December 23, 1944. Accordingly, there was no insurance offered on 1944 crops or on winter wheat planted for harvest in 1945. Under the program as reinstated, the Corporation began insuring the 1945 crops of spring wheat, cotton, and flax, and to insure corn and tobacco crops on a trial basis in not to exceed 20 represen-

tative counties for each crop. Despite the limited time available to reactivate the program, almost 165,000 contracts were written on 1945 crops. Since sufficient actuarial data were not available, no additional commodities will be covered on a trial basis during the fiscal year 1946. It is estimated that a total of 621,000 contracts will be in force during the fiscal year 1946. It is contemplated that the insurance program for the fiscal year 1947 will be expanded to provide for coverage of 3 additional commodities, not yet decided upon, on a trial basis. Including an estimated 30,000 contracts on these 3 additional commodities, it is anticipated over 800,000 contracts will be in force during the fiscal year 1947.

The Federal Crop Insurance Act, as amended (7 U. S. C. 1940 ed. supp. IV, 1508 (c)) provides that after the crop year 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity (which reserves, after the crop year 1948, shall not be less than 10 per centum of premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis. It is contemplated that the present plan of operation will enable the Corporation to pay indemnities from premiums collected and to create a reserve sufficient to preclude the necessity of settling claims on a pro rata reduced basis as will be required under the law after the 1949 crop year.

The crop insurance program is designed to be self-supporting over a period of years, except for the cost of administration. It is the policy of the Corporation to determine premium rates actuarially so that over an extended period the premiums collected will cover the amounts paid out as indemnities and provide a 10 percent reserve.

Under the present program of insurance the Corporation is offering a plan of progressive insurance protection. The Corporation has found from experience in previous wheat and cotton programs that frequently a grower could obtain more net income from an indemnity than from a crop if he did not incur the full cost of producing and harvesting his crop. Under the plan of progressive insurance, the protection increases progressively with the advancement of the growing stages of the crop.

Two methods were used relative to the 1945 crop year to effect this progressive coverage: If a complete loss occurred on any acreage early in the growing season and the insured acreage was released for the production of other crops, (1) in the case of cotton, corn, and tobacco the coverage was reduced and (2) in the case of wheat or flax the coverage was not reduced but an amount not less than one-half of the insured production was counted as production for such acreage. Under each plan, reduction of indemnity was made for losses late in the season if a savings in production or harvesting cost was effected. It is contemplated that the principle of progressive coverage will be continued for the 1946 and 1947 crop years, but in adhering to this principle, less use will be made of the first method and broader use will be made of the second.

The plan for progressive insurance protection avoids over-insurance and it is consistent with the principle that insurance should give protection only against loss and not provide an opportunity for profit.

*Program administration.*—Program development and management control is centralized in the principal office of the Corporation located in the District of Columbia (7 U. S. C. 1503). Administrative operations are decentral-

ized in branch offices (located in Chicago, Ill.; Denver, Colo.; and Birmingham, Ala.) and various State offices. The branch offices calculate the amount of insurance premiums; receive, audit, and deposit cash collections; prepare and certify field payrolls; audit and pay approved indemnity claims; and maintain books of account for all insurance transactions.

The local administration of the insurance programs is divided between the State and County Agricultural Conservation Committees and the State offices of the Corporation. The State offices of the Corporation are located throughout the United States for directing and supervising various phases of the insurance programs at State and county levels, and for the adjustment of losses by Corporation employees.

It is not contemplated that any major changes will be made in the administration of the program during the fiscal year 1947.

#### OPERATING RESULTS

*Fiscal year 1945.*—The operating results reflected on the various exhibits and schedules for the fiscal year 1945 consist of transactions relating to the crop years 1940 to 1943, inclusive, with the exception of \$39,630 which represents the amount of 1945 crop year premiums reflected in the records of the Corporation as of June 30, 1945.

*Fiscal year 1946.*—During the fiscal year 1946 it is estimated that the Corporation will sustain a net loss of \$3,999,660. Since the major portion of the 1945 crop year activities will be reflected on the records of the Corporation during the fiscal year 1946, this net loss represents the estimated results of the insurance operations covering the crop year 1945 for spring wheat, cotton, flax, corn, and tobacco less the 1945 crop year premiums amounting to \$39,630 which were reflected on the records during the fiscal year 1945. It is estimated that the 1945 crop year indemnities for cotton will exceed premiums by \$6,214,580 due to heavy losses throughout the cotton growing sections of the United States. It is estimated that the 1945 crop year premiums for the other four commodities will exceed indemnities by \$1,983,980.

Heavy cotton losses on insurance in 1945 resulted from poor crop conditions in the areas where participation was the heaviest. Pronounced losses were caused by drought in some areas and excess moisture or floods in others. Severe drought conditions existed even before planting in some western portions of the Cotton Belt, particularly in areas in western Texas. Excess moisture in many areas resulted in delayed planting, profuse plant growth, and heavier than usual boll-weevil infestation. Excessive rain early in the season caused heavy floods in southeast Missouri, Arkansas, and elsewhere in areas adjacent to some of the tributaries of the Mississippi.

It is also estimated that the sales of commodities, held as protection against a rise in prices between the date premium notes mature and the dates indemnities are paid, will exceed the cost of such sales by \$270,570.

*Fiscal year 1947.*—It is estimated that during the fiscal year 1947, the premiums will amount to \$32,441,600 for 1946 crop year operations, as compared with estimated indemnities amounting to \$29,197,440, which would result in net income of \$3,244,160. In preparing these estimates for premiums and indemnities it was necessary to convert the estimated commodity premiums and indemnities to a monetary basis. The prices used in making this conversion were based on the prevailing prices of the commodities at the time of preparing these estimates and any changes in such prices would affect the estimates accordingly.

## FINANCIAL CONDITION

*Accounts receivable.*—On June 30, 1944, accounts receivable amounted to \$2,093,060. Actual changes in accounts receivable during fiscal year 1945 and estimated changes for fiscal years 1946 and 1947 are reflected in the following table:

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945	1946	1947
Balance, beginning of year.....	\$2,093,060	\$996,725	\$1,632,099
Insurance premiums:			
1945 crop year.....	39,630	9,553,720	32,441,600
1946 crop year.....			
Receivables from administrative fund for storage charges, etc.....	34,860		
Total.....	2,167,550	10,550,445	34,073,699
Collections:			
Premiums:			
Prior years.....	1,162,820	276,000	184,000
1945 crop year.....	6,630	8,598,348	988,372
1946 crop year.....			29,197,440
Recovery of storage charges from administrative fund, etc.....	1,375	43,998	
Total.....	1,170,825	8,918,346	30,369,812
Balance, end of year.....	996,725	1,632,099	3,703,887

*Inventory.*—On June 30, 1945, the Corporation did not own any commodity stocks. During the fiscal year 1946 the Corporation purchased 15,000,000 pounds of cotton at a cost of \$3,431,705, which it is estimated at this time will be disposed of for \$3,702,275 before the end of the fiscal year 1946, and therefore, no inventory will be reflected on the exhibits and schedules as of June 30, 1946.

During the fiscal year 1947 it is estimated that the Corporation will purchase 10,200,000 bushels of wheat; 912,500 bushels of corn; 1,000,000 bushels of flax; and 46,712,000 pounds of cotton at an estimated cost of \$33,269,375. Of these total purchases, it is estimated that the Corporation will sell approximately 90 percent of these commodities for \$29,942,437 and the remaining 10 percent or \$3,326,938 will represent the inventory of commodity stocks as of June 30, 1947.

*Accounts payable.*—As of June 30, 1945, there were payables on the books amounting to \$512,137 which represented the estimated value of certificates of indemnity held by growers and a small amount of unrepresented checks. The cash value of the certificates of indemnity was estimated at \$512,094 as of June 30, 1945. Of this amount the estimated cash value of the certificates issued in settlement of loss claims for cotton contracts amounted to \$282,268 and the estimated value of the certificates issued in settlement of loss claims for wheat contracts amounted to \$229,826. These claims resulted from indemnity losses that occurred during the 1942 and 1943 crop years.

The Corporation's liability on indemnity claims is computed in terms of commodity and a certificate is issued to a claimant in settlement for indemnity claims. Until such time as the certificate is surrendered to the Corpora-

tion for payment, or an established cash equivalent of the claim is determined, an estimate of the value of the outstanding certificates is necessary. Average market prices applicable to the respective commodities are used as the basis for this estimate.

It is estimated that during the fiscal year 1946 the entire balance of accounts payable of \$512,137 as of June 30, 1945, and \$12,441,555 of the estimated total 1945 crop year indemnities of \$13,823,950 will be liquidated.

It is estimated that during the fiscal year 1947 the Corporation will liquidate \$26,277,696 of the total 1946 crop year indemnities estimated at \$29,197,440 and the balance of the 1945 crop year indemnities of \$1,382,395 carried over from the fiscal year 1946.

*Deferred credits—undistributed receipts.*—As of June 30, 1945, there were unapplied premium collections on the records of the Corporation amounting to \$6,035. These collections represent items which could not be immediately identified, and were placed in this account until proper distribution could be made. It is anticipated that this amount will be credited against the accounts receivable during the fiscal year 1946.

*Contingent liabilities.*—All known direct and contingent liabilities are reflected in exhibit C to the extent of estimated crop losses for the years indicated.

*Return of capital funds to Treasury.*—The Corporation does not contemplate returning any capital funds to the Treasury during fiscal year 1947.

## ADMINISTRATIVE EXPENSES

Program administration has been discussed under Analysis of budget program by major activities in view of the treatment this item is given in the financial statements of the Corporation. Since the Corporation was in liquidation during the early part of fiscal year 1945, administrative expenses for that year do not reflect regular operations of the Corporation. The estimated administrative expenses of \$7,880,000 for fiscal year 1947 reflect a reduction of \$104,000 below the estimated administrative expenses for fiscal year 1946 of \$7,984,900. These estimates for administrative expenses do not provide for the cost of the General Accounting Office audits pursuant to Public Law 248 (79th Cong.) since bases for making such estimates are not available.

## LANGUAGE

Administrative and operating expenses: For operating and administrative expenses under the Federal Crop Insurance Act, as amended (7 U. S. C. 1501-1518), as amended by the Act of December 23, 1944 (Public Law 551), \$7,984,900, including personal services in the District of Columbia, printing and binding, purchase of books of reference and periodicals, and not to exceed \$700 for newspapers. ]

The types of programs set forth in the 1947 budget of the Federal Crop Insurance Corporation (7 U. S. C. 1501-1519), within the funds available to it are approved: Provided, That there is hereby appropriated out of any money in the Treasury not otherwise appropriated, for operating and administrative expenses of said Corporation, \$7,880,000, including not to exceed \$700 for newspapers. (Act of May 5, 1945, Public Law 52; Act of Dec. 6, 1945, Public Law 248.)

**EXHIBIT A**  
**COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
To indemnities.....	\$492,552	\$13,823,950	\$29,197,440
To increase (or decrease*) working capital (see schedule A-1).....	*480,306	26,000,340	3,244,160
<b>Total funds applied</b> .....	\$12,246	\$39,824,290	\$32,441,600
<b>FUNDS PROVIDED</b>			
By insurance premiums.....	22,693	9,553,720	32,441,600
By additional capital funds requisitioned.....		30,000,000	
<b>Total</b> .....	22,693	39,553,720	32,441,600
By sale of commodities.....	*299	3,702,275	29,942,437
Less: Cost of commodities sold.....	10,148	3,431,705	29,942,437
<b>By profit (or loss*) from commodity transactions</b> .....	*10,447	270,570	
<b>Total funds provided</b> .....	12,246	39,824,290	32,441,600

\*Deduct.

**EXHIBIT B**  
**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Insurance premiums:			
Wheat.....	*\$12,271	\$1,617,873	\$15,810,000
Cotton.....	33,823	5,435,738	11,678,000
Flax.....	580	1,472,870	2,900,000
Corn.....	543	451,857	1,049,300
Tobacco.....	18	575,382	1,004,300
<b>Total insurance premiums</b> .....	\$22,693	\$9,553,720	\$32,441,600
Commodity transactions:			
Sale of commodities.....	*299	3,702,275	29,942,437
Less: Cost of commodities sold (schedule B-1).....	10,148	3,431,705	29,942,437
<b>Profit (or loss*) from commodity transactions</b> .....	*10,447	270,570	
<b>Total operating income</b> .....	12,246	9,824,290	32,441,600
<b>Operating losses:</b>			
Wheat.....	80,352	745,000	14,229,000
Cotton.....	412,200	11,688,000	10,510,200
Flax.....		749,550	2,610,000
Corn.....		452,400	944,370
Tobacco.....		189,000	903,870
<b>Total operating expense</b> .....	492,552	13,823,950	29,197,440
<b>Net operating income or expense*</b> .....	*480,306	*3,999,660	3,244,160
<b>Nonoperating expense:</b>			
Accounts and notes receivable charged off.....	*1,118		
<b>Net income (or loss*)</b> .....	*481,424	*3,999,660	3,244,160

**ANALYSIS OF EARNED SURPLUS (OR DEFICIT\*)**

Balance at beginning of year.....	*\$37,227,044	*\$37,708,468	*\$41,708,128
Net income (or loss*) for the year above.....	*481,424	*3,999,660	3,244,160
Balance at end of period (exhibit C).....	*\$37,708,468	*\$41,708,128	*\$38,463,968

\*Deduct.

**ADMINISTRATIVE EXPENSES<sup>1</sup>**

Administrative expenses (schedule B-2).....	\$2,773,645	\$8,304,900	\$7,880,000
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<sup>1</sup> Administrative expenses are not included as an operating expense for the reason that premium income is not intended to cover such expense. The premium rates established do not include any provision for recovering the cost of administering the program which is in accordance with the provisions of the Federal Crop Insurance Act, as amended. Funds required for administrative expenses are provided by Congress through annual appropriations. Such expenses amounted to \$32,960,804 from date of organization through June 30, 1945.

## FEDERAL CROP INSURANCE CORPORATION

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EXHIBIT C  
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
<b>ASSETS</b>				
<b>Cash:</b>				
With U. S. Treasury.....	\$2,952,439	\$1,808,608	\$28,032,168	\$27,414,951
On hand and in banks.....	193,568	4,371	10,000	10,000
<b>Total cash.....</b>	<b>3,146,007</b>	<b>1,812,979</b>	<b>28,042,168</b>	<b>27,424,951</b>
<b>Accounts receivable:</b>				
Premiums on insurance contracts.....	2,089,701	958,763	1,632,099	3,703,887
Administrative fund.....		34,557		
Agricultural Adjustment Agency.....		303		
Other.....	3,359	3,102		
<b>Total accounts receivable.....</b>	<b>2,093,060</b>	<b>996,725</b>	<b>1,632,099</b>	<b>3,703,887</b>
<b>Inventory of commodities.....</b>				<b>3,326,938</b>
<b>Total assets.....</b>	<b>5,239,067</b>	<b>2,809,704</b>	<b>29,674,267</b>	<b>34,455,776</b>
<b>LIABILITIES</b>				
<b>Accounts payable:</b>				
Administrative fund (storage recoveries).....	528,357			
Agricultural Adjustment Agency.....	999,724			
Commodity Credit Corporation.....	167,341			
Indemnities payable—estimated.....	769,622	512,094	1,382,395	2,919,744
Other.....	1,067	43		
<b>Total accounts payable.....</b>	<b>2,466,111</b>	<b>512,137</b>	<b>1,382,395</b>	<b>2,919,744</b>
<b>Deferred credits—Undistributed receipts.....</b>		6,035		
<b>Total liabilities.....</b>	<b>2,466,111</b>	<b>518,172</b>	<b>1,382,395</b>	<b>2,919,744</b>
<b>CAPITAL</b>				
Capital stock authorized.....	100,000,000	100,000,000	100,000,000	100,000,000
Less: Unissued stock.....	60,000,000	60,000,000	30,000,000	30,000,000
Capital stock outstanding.....	40,000,000	40,000,000	70,000,000	70,000,000
Less: Operating deficit (exhibit B) †.....	37,227,044	37,708,468	41,708,128	38,463,968
<b>Net capital.....</b>	<b>2,772,956</b>	<b>2,291,532</b>	<b>28,291,872</b>	<b>31,536,032</b>
<b>Total liabilities and capital.....</b>	<b>5,239,067</b>	<b>2,809,704</b>	<b>29,674,267</b>	<b>34,455,776</b>

† Does not include administrative expenses, which are paid from appropriated funds.

SCHEDULE A-1  
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (increase or decrease*):</b>			
Cash.....	*\$1,333,028	\$26,229,189	*\$617,217
<b>Accounts receivable:</b>			
Premiums on insurance contracts.....	*1,129,820	673,336	2,071,788
Administrative fund (storage charges).....	34,557	*34,557	
Agricultural Adjustment Agency.....	303	*303	
Other.....	*257	*3,102	
<b>Inventory of commodities.....</b>			<b>3,326,938</b>
<b>Current liabilities (increase* or decrease):</b>			
<b>Accounts payable:</b>			
Administrative fund (storage recoveries).....	528,357		
Agricultural Adjustment Agency.....	999,724		
Commodity Credit Corporation.....	167,341		
Estimated value of indemnities payable.....	257,528	*870,301	*1,537,349
Other.....	1,024	43	
<b>Deferred credits—undistributed receipts.....</b>	<b>*6,035</b>	<b>6,035</b>	
<b>Increase in working capital (exhibit A).....</b>		<b>26,000,340</b>	<b>3,244,160</b>
<b>Decrease in working capital (exhibit A).....</b>	<b>480,306</b>		

\*Deduct.

## SCHEDULE B-1

## COST OF SALES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Cost of commodities sold:			
Wheat.....	\$10,148		\$15,697,800
Cotton.....		\$3,431,705	10,510,200
Flax.....			2,790,000
Corn.....			944,437
Total cost of commodities sold (exhibit B).....	10,148	3,431,705	29,942,437

FEDERAL CROP INSURANCE CORPORATION

SCHEDULE B-2

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By objects	1945, actual	1946, estimate	1947, estimate
<b>PERSONAL SERVICES</b>			
Salaries and wages:	Man-years	Man-years	Man-years
Headquarters:	Amount	Amount	Amount
Officers:			
Manager of corporation.....	1 \$8,000	1 \$9,013	1 \$9,013
Secretary of corporation.....	0.2 741	1 5,180	1 5,180
Employees:			
Office of the manager.....	10.5 42,980	22 100,077	22 100,520
Program division.....	2.1 8,733	19.6 71,900	21.5 79,190
Actuarial division.....	11 32,598	59.5 175,786	61 180,500
Administrative division.....	9.1 22,133	35.9 88,445	37.7 96,097
Survey and review division.....	8.5 28,883	14.8 54,482	15 55,994
Fiscal division.....	7.6 18,581	39.8 112,051	41 117,339
Procedure division.....	6.7 20,260	16.8 55,838	18 60,544
Sales division.....	65.4 139,627	7.3 26,841	7.5 27,877
Branch offices.....	24.1 53,343	299 610,600	299 615,545
State offices.....	66,346	370.7 991,258	484.4 1,276,144
Cost of overtime.....	146.2 442,225	887.4 2,322,986	1,009.1 2,623,943
01 Personal services (net).....			
<b>OTHER OBLIGATIONS</b>			
02 Travel.....	56,722	465,078	534,356
03 Transportation of things.....	14,329	15,170	14,920
04 Communication services.....	7,118	27,850	23,750
Payment of penalty mail.....	2,320		
05 Rents and utility service.....	14,631	33,943	34,423
06 Printing and binding.....	43,733	75,000	81,000
07 Other contractual services:			
Commodity purchase expense.....		30,000	40,700
Insurance contract sale expense.....	491,361	1,847,365	1,192,000
Storage.....		280,000	425,000
Working fund advance, Bureau of Agricultural Economics.....	55,000		
Working fund advance, Office of Solicitor.....	25,000		
All other.....	12,566	35,500	24,800
08 Supplies and materials.....	33,313	60,560	60,817
09 Equipment.....	31,330	25,200	23,850
Total other obligations.....	787,423	2,895,666	2,455,616
Grand total obligations.....	1,229,648	5,218,652	5,079,559
Reimbursements for services performed.....	-9,601		
Transferred to—			
"Administrative expenses, sec. 392, Agricultural Adjustment Act of 1938".....	+285,400	+795,584	+789,900
"Local Administration, sec. 388, Agricultural Adjustment Act of 1938".....	+1,264,600	+2,273,790	+1,995,000
"Salaries and expenses, Division of Disbursement," Treasury Department.....	+2,869	+15,980	+14,667
"Printing and binding, Division of Disbursement," Treasury Department.....	+54	+264	+264
"Salaries and expenses, Office of the Treasurer of the United States".....		+580	+560
"Printing and binding, Office of the Treasurer of the United States".....		+50	+50
Reappropriation from 1944 unobligated balance in 1945.....	-350,000		
Reappropriation from 1943 and 1944 unobligated balance in 1945.....	-3,000,000		
Net total obligations.....	-577,030	8,304,900	7,880,000
Covered into Treasury in accordance with Public Law 529.....	+675		
Excess of obligations over appropriation due to Public Law 106.....		-320,000	
Estimated savings, unobligated balance.....	570,355		
Total estimate or appropriation.....		7,984,900	7,880,000

By projects or functions	1945, actual	1946, estimated	1947, estimated
1. General administration; program planning and direction; development and study of actuarial structure and loss-adjustment practices; supervision of field activities incident to applications and premiums; approval of bases for crop insurance yield and premium rates in individual counties.....	\$376,006	\$964,038	\$1,004,559
2. Federal Crop Insurance Corporation branch offices: Verification of insurance contracts; auditing and accounting for premiums collected and indemnities paid.....	207,601	700,238	708,000
3. Storage and handling costs incident to acquisition, maintenance, and sale of commodity reserve.....		280,000	425,000
4. State administration: sales promotion, loss adjustment; field work incident to yield and rates, collection of premiums; and farm inspection.....	80,110	1,405,496	1,750,000
5. Insurance contract sales expense.....	491,361	1,847,365	1,192,000
6. Services performed for other agencies.....	66,346	21,515	
7. Overtime pay.....			
Grand total obligations.....	1,229,648	5,218,652	5,079,559
Adjustments (see objects schedule for detail).....	-1,229,648	2,766,248	2,800,441
Total estimate or appropriation.....		7,984,900	7,880,000

SCHEDULE B-3

PERSONAL SERVICES

By grades	1945, actual	1946, estimated	1947, estimated
<b>PERSONAL SERVICES, DEPARTMENTAL</b>			
Clerical, administrative, and fiscal service:	Man-years	Man-years	Man-years
Grade 15. Range \$8,750 to \$9,800:	Amount	Amount	Amount
Corporation manager.....	1 \$8,000	1 \$9,013	1 \$9,013
Grade 14. Range \$7,175 to \$8,225:			
Area director.....	1.1 7,132	4 28,940	4 28,962
Assistant manager.....	0.4 2,437		
Chief, fiscal division.....		1 7,175	1 7,175
Grade 13. Range \$6,230 to \$7,070:			
Administrative officer.....	0.6 3,137	2 12,618	2 12,670
Assistant chief, fiscal division.....	0.1 809	1 6,230	1 6,230
Chief, administrative division.....		0.7 4,361	1 6,230
Chief, procedure division.....	0.5 2,567	1 6,440	1 6,440
Chief, sales division.....		1 6,230	1 6,230
Chief, survey and review division.....	1 5,750	1 6,493	1 6,650
Grade 12. Range \$5,180 to \$6,020:			
Accountant.....		0.8 4,144	1 5,180
Administrative officer.....	4.3 20,384	8 41,930	8 42,070
Marketing specialist.....	0.2 1,187	1 5,390	1 5,390
Operations analyst.....	0.9 4,007	1 5,390	1 5,390
Procedure officer.....	0.4 1,725	1 5,320	1 5,390
Sales specialist.....		1.8 9,324	2 10,360
Secretary of Corporation.....	0.2 741	1 5,180	1 5,180
Grade 11. Range \$4,300 to \$5,180:			
Accountant.....		1.7 7,310	2 8,600
Administrative officer.....	1.1 4,401	5.3 22,790	6 25,800
Budget officer.....		0.7 3,010	1 4,300
Operations analyst.....	0.9 3,293	2.8 12,040	3 12,900
Procedure analyst.....	1.4 5,225	2.5 10,897	3 13,120
Grade 9. Range \$3,640 to \$4,300:			
Accountant.....	1.1 3,646	1.8 6,634	2 7,390
Actuarial assistant.....		5 18,200	5 18,200
Administrative assistant.....	0.4 1,333	3.5 12,841	4 14,670
Assistant marketing specialist.....		1 3,640	1 3,640
Operations analyst.....	3.7 12,049	4 15,064	4 15,440
Procedure analyst.....	1.5 4,886	2.5 9,265	3 11,140
Sales specialist.....		1 3,640	1 3,640
Grade 7. Range \$2,980 to \$3,640.....	3.9 12,837	18.5 55,570	19.2 59,243
Grade 5. Range \$2,320 to \$2,980.....	12.4 24,999	27.3 64,623	28 66,996
Grade 4. Range \$2,100 to \$2,496.....	7.1 13,279	41.8 88,188	42 89,190
Grade 3. Range \$1,902 to \$2,298.....	3.7 5,923	28.1 53,485	29 55,488
Grade 2. Range \$1,704 to \$2,100.....	0.9 1,360	6.1 10,341	7 11,994



## FEDERAL SURPLUS COMMODITIES CORPORATION

### CREATION AND PURPOSE

The Federal Surplus Commodities Corporation was first organized as the Federal Surplus Relief Corporation under the powers granted to the President by the National Industrial Recovery Act [paragraph (b) of section (2) of title I and subsection (a) of section 201 of title II, 48 Stat. 195]. It was granted a charter by the State of Delaware on October 3, 1933, as a nonprofit membership corporation with no capital stock. When the charter was granted, it had as its members persons who, from time to time, might occupy the offices of the Secretary of Agriculture of the United States, Federal Emergency Administrator of Public Works, and Federal Emergency Relief Administrator. The Corporation acted in close cooperation with the Federal Emergency Relief Administration in the purchase of foods and other relief supplies for distribution to needy families through State relief organizations. As the Corporation came to deal more and more in agricultural commodities and products thereof and to conduct its program in closer association with programs of the Department of Agriculture, the charter was amended November 16, 1935, changing the name of the Corporation to the Federal Surplus Commodities Corporation and changing its members, with the exception of the Secretary of Agriculture, to such persons who, from time to time, might occupy the offices of Administrator of the Agricultural Adjustment Administration and the governor of the Farm Credit Corporation.

Prior to the passage of Public Law 165 (June 28, 1937, 15 U. S. C., 713c) the Corporation acted as an independent agency not directly responsible to any Department; but effective with that act, which placed the Corporation as an agency of the United States under the control of the Secretary of Agriculture, the Secretary determined that the administration of the Corporation should be similar in all possible respects to the administration of a regular bureau of the Department of Agriculture. In order to carry out this determination it was necessary to amend the certificate of incorporation and the bylaws so as to permit the management of the Corporation to be in the Secretary of Agriculture and the membership was again changed to such persons as, from time to time, hold the positions of Secretary, under secretary, and assistant secretary of Agriculture.

Since the establishment of the Corporation, Congress has several times recognized it as an operating agency of the United States. The following acts of Congress have referred to the Corporation: Public Law 142 (Apr. 7, 1934, 48 Stat. 528) authorized the Secretary of Agriculture to make advances to the Federal Surplus Relief Corporation for the purchase of dairy and beef products for distribution for relief purposes. Public Law 320 (Aug. 24, 1935, 49 Stat. 750, 776) made the appropriation authorized by the act of April 7, 1934, *supra*, available until June 30, 1936. Public Law 440 (Feb. 11, 1936, 49 Stat. 1109, 1117) provided that, in carrying out clause (2) of section 32, purchase for donation to the Federal Surplus Commodities Corporation during the fiscal years 1936 and 1937 could be made without regard to section 3709 of the Revised Statutes. Public Law 739 (June 22,

1936, 15 U. S. C. 712a) prohibited the Corporation after June 30, 1937, from incurring any obligations for administrative expenses except pursuant to an annual appropriation specifically therefor and further discontinued its functions as an agency of the United States after that date unless Congress provided otherwise. Public Law 165, *supra*, recognized the Corporation as an agency of the Federal Government and extended it as such, under the direction of the Secretary of Agriculture until June 30, 1939, and made provision for administrative expenses. Public Law 430 (Feb. 16, 1938, 7 U. S. C. 612c) authorized the continuation of the Corporation as an agency of the United States until June 30, 1942. Public Law 634 (June 27, 1942, 15 U. S. C. 713c) provided “\* \* \* that the Federal Surplus Commodities Corporation is hereby continued as an agency of the United States, under the direction of the Secretary of Agriculture until June 30, 1945.” The Corporation ceased to function as an agency of the United States on July 1, 1945, and has been in a state of liquidation since that date.

### FINANCIAL ORGANIZATION

In the beginning, when functioning as the Federal Surplus Relief Corporation, operations were financed by funds received from the respective States, territories, and the District of Columbia. These funds, which could be used only for relief purposes, were used for purchasing, processing, and distributing surplus agricultural commodities to the various States which, in turn, made delivery to certified needy persons. The Corporation also received donations of livestock, farm commodities, and processed goods from the Agricultural Adjustment Administration which were used for relief purposes. However, beginning in 1935, the Corporation received a large part of its finances from allocation of funds available to the Secretary of Agriculture for the purchase and disposition of surplus agricultural commodities. During the period 1938 to 1945 nonrecourse loans were made by the Disaster Loan Corporation to carry out timber salvage operations made necessary by hurricane in 1938 and severe sleet storms in eastern Texas in 1944. The Corporation has not issued any bonds. The present assets of the Corporation are primarily in cash, as reflected by the balance sheet which follows the textual material (exhibit C).

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

During the fiscal year 1945 the only program operation carried on by the Corporation involved timber salvage operations. This entire program was in liquidation at the close of the fiscal year 1945. No additional programs are planned for fiscal years 1946 or 1947.

The Corporation is now in the process of liquidation and all financial activities will be limited to its continued liquidation. The major expenditures during fiscal year 1947 will consist of administrative expenses necessary to the liquidation of the Corporation and the disposition of its records. Present plans provide for the complete liquidation of the assets and liabilities of the Corporation,

disposition of all records having no permanent value and placement of those remaining in condition for filing in Archives, transfer of remaining assets (cash) to the general funds of the Treasury, and dissolution of the Corporation before the close of fiscal year 1947.

#### OPERATING RESULTS

During the fiscal year 1945, the only operations were in connection with timber salvage programs. The net profit of \$31,167 resulting from this activity did not affect the financial condition of the Federal Surplus Commodities Corporation, as it was applied to a reduction in prior year charge-offs on nonrecourse notes payable to the Disaster Loan Corporation. The net income of \$1,731, reflected in exhibit B, for the fiscal year 1945 results from adjustments and settlement of prior year accounts.

In the fiscal year 1946, it is estimated the Corporation will sustain a net loss of \$52 due to the payment of corporate fees, while in the fiscal year 1947 a loss of \$40,000 is estimated due to administrative work necessary in the final liquidation of the Corporation.

#### FINANCIAL CONDITION

On June 30, 1945, almost 99 percent of the assets of the Corporation was in cash, and liabilities had been reduced to less than 3 percent of net worth. Notes payable to Disaster Loan Corporation on account of timber salvage operations were liquidated during the year subject, however, to minor adjustment for the final cumulative operating loss of the Texas Timber Salvage Program. The statement of financial condition (see exhibit C) for June 30, 1947, reflects no assets, liabilities, or capital, since the \$2,632,519 cash balance remaining on the date of dissolution (which it is planned will be on or before June 30, 1947) will be transferred to the general fund of the Treasury.

#### ADMINISTRATIVE EXPENSES

Public Law 739, *supra*, provided that subsequent to June 30, 1937, the Corporation, among others, was pro-

hibited from incurring any obligations for administrative expenses, except pursuant to a specific annual appropriation. However, the Congress has made no such annual appropriation for administrative expenses but by Public Law 165, *supra*, provided ". . . that . . . funds of the Corporation, may be used . . . for administrative expenses, including rent, printing and binding, and the employment of persons and means, in the District of Columbia and elsewhere. . . ."

Subsequent to June 30, 1945, when the Corporation ceased by law to be an agency of the United States, the Corporation has undertaken no programs nor engaged in any other activity, Governmental or non-Governmental, beyond the necessary work attendant upon closing out programs which had been in operation prior to that date.

In order to completely liquidate the Corporation an authorization for administrative expenses must be obtained. It is planned that only a minimum of essential work will be performed in the liquidation of the Corporation. This work will be limited to the expenditure of \$40,000. The activities of a small staff will be confined to (1) investigating and settling all outstanding liabilities reflected on the records, (2) converting all other assets into cash, (3) arranging for the disposition of all records having no permanent or historical value, (4) arranging for the retention of records of permanent value, (5) dissolving (legally) the Corporation, (6) preparing a final report on the financial activities of the Corporation, and (7) any other related work.

#### LANGUAGE

*The liquidation program set forth in the 1947 budget of the Federal Surplus Commodities Corporation (15 U. S. C. 713c et seq.) is approved: Provided, That funds acquired by the Corporation as an agency of the United States, other than funds transferred pursuant to the act of June 28, 1937 (50 Stat. 323), shall remain available to the Secretary of Agriculture for the purpose of liquidation and dissolution of the Corporation: Provided, however, That not to exceed \$40,000 of such funds may be expended for administrative expenses during the fiscal year 1947. (Act of Dec. 6, 1945, Public Law 248.)*

## FEDERAL SURPLUS COMMODITIES CORPORATION

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EXHIBIT A  
COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
To repay borrowings—Disaster Loan Corporation.....	\$839,702		
To repay Defense Supplies Corporation—Overpayment on subsidy.....		\$32,402	
To transfer—To general funds—U. S. Treasury.....	349,494		\$2,632,519
To settle trust and deposit liabilities due others.....	163,494		
To operating expenses: Administrative expenses.....	92,155	52	40,000
To nonoperating expenses:			
Claims settlements by General Accounting Office on prior years' operations.....	4,645		
Freight out—Prior years.....	214		
To decrease* in working capital.....	*717,390	*2,571	*2,672,519
<b>Total funds applied.....</b>	<b>732,314</b>	<b>29,883</b>	
<b>FUNDS PROVIDED</b>			
By borrowings—Disaster Loan Corporation.....	570,000		
By operating income:			
Sales—pulpwood.....	\$434,978		
Less cost of sales.....	419,622		
Gross profit—pulpwood.....	15,356		
Sales—sawlogs.....	144,984		
Less cost of sales.....	129,966		
Gross profit—sawlogs.....	15,018		
Interest income.....	17		
Profit on sales of equipment.....	13,385		
Forfeited accounts.....	1,062		
Recoveries by General Accounting Office—Prior years' claims.....	6,376		
By subsidy receipts from Defense Supplies Corporation:			
Payment for operations in submarginal areas.....	78,698		
Overpayment resulting from overbilling.....	32,402		
By settlement—overpayment to Disaster Loan Corporation.....		29,883	
<b>Total funds provided.....</b>	<b>732,314</b>	<b>29,883</b>	

\*Deduct.

EXHIBIT B  
COMPARATIVE STATEMENT OF INCOME AND EXPENSE

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Sales—Pulpwood.....	\$434,978		
Less: Cost of sales.....	419,622		
Gross profit pulpwood.....	15,356		
Sales—Sawlogs.....	144,984		
Less: Cost of sales.....	129,966		
Gross profit sawlogs.....	15,018		
Gross profit on sales.....	30,374		
<b>Operating expense:</b>			
Administrative expense.....	92,155	\$52	\$40,000
<b>Net operating loss*</b> .....	<b>*61,781</b>	<b>*52</b>	<b>*40,000</b>
<b>Nonoperating income and expenses:</b>			
Interest income.....	17		
Profit on sale of equipment.....	13,385		
Forfeited accounts.....	1,062		
Recoveries by General Accounting Office—Prior years' claims.....	6,376		
Claims settlements by General Accounting Office on prior years' operations.....	*4,645		
Freight out—prior years.....	*214		
<b>Adjustments:</b>			
Reduction in prior years' charge-offs on nonrecourse notes payable.....	*31,167	*1,980	
Income under guarantee on timber production.....	78,698		
Accounts payable and expenses—Prior years.....		1,980	
<b>Net income (or loss*) for the year.....</b>	<b>1,731</b>	<b>*52</b>	<b>*40,000</b>

\*Deduct.

**EXHIBIT C**  
**COMPARATIVE STATEMENT OF FINANCIAL CONDITION**

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
<b>ASSETS</b>				
<b>Cash—With U. S. Treasury</b> .....	\$3,329,523	\$2,713,743	\$2,704,556	
<b>Accounts receivable:</b>				
Due from Government agencies.....	11,606	144	131	
Due from others.....	11,975	200	136	
<b>Total accounts receivable</b> .....	23,581	344	267	
<b>Inventories—Timber products</b> .....	65,092			
<b>Deferred charges</b> .....	152,812			
<b>Other assets:</b>				
Overpayment to Disaster Loan Corporation.....		29,883		
<b>Total assets</b> .....	3,571,008	2,743,970	2,704,823	
<b>LIABILITIES</b>				
<b>Accounts payable:</b>				
Due Government agencies.....	102,571	38,131	32,304	
Due others.....	75,957	866		
Overpayment by Defense Supplies Corporation on income under guarantee on timber production.....		32,402		
<b>Total accounts payable</b> .....	178,528	71,399	32,304	
<b>Trust and deposit liabilities:</b>				
Due Government agencies.....	349,494			
Due others.....	163,494			
<b>Total trust and deposit liabilities</b> .....	512,988			
<b>Notes payable:</b>				
Disaster Loan Corporation.....	208,652			
<b>Total liabilities</b> .....	900,168	71,399	32,304	
<b>CAPITAL</b>				
<b>Earned surplus</b> .....	2,670,840	2,672,571	2,672,519	
<b>Total liabilities and capital</b> .....	3,571,008	2,743,970	2,704,823	

**SCHEDULE A-1**  
**CHANGES IN WORKING CAPITAL**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (Increase or decrease*):</b>			
Cash—With U. S. Treasury.....	*\$615,780	*\$9,187	*\$2,704,556
<b>Accounts receivable:</b>			
Due from Government agencies.....	*11,462	*13	*131
Due from others.....	*11,775	*64	*136
<b>Inventories</b> .....	*65,092		
<b>Deferred charges</b> .....	*152,812		
<b>Current liabilities (Increase* or decrease):</b>			
<b>Accounts payable:</b>			
Due Government agencies.....	64,440	5,827	32,304
Due others.....	75,091	866	
<b>Decrease* in working capital</b> .....	*717,390	*2,571	*2,672,519

\*Deduct.

FEDERAL SURPLUS COMMODITIES CORPORATION

**SCHEDULE B-1  
COST OF SALES**

[For the fiscal year ending June 30, 1945]

Pulpwood:	<i>1945, actual</i>	
Camp operating expense.....	\$185,217	
Equipment costs.....	49,389	
Prisoner of war labor.....	186,971	
Stumpage.....	1,955	
<b>Total cost of sales—pulpwood.....</b>	<b>\$419,622</b>	
Sawlogs:		
Camp operating expense.....	\$38,613	
Equipment costs.....	5,671	
Prisoner of war labor.....	28,360	
Stumpage.....	57,322	
<b>Total cost of sales—sawlogs.....</b>	<b>129,966</b>	

<sup>1</sup> Credit, adjustment in prior year charges.

**SCHEDULE B-2  
ADMINISTRATIVE EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual		1946, estimated		1947, estimated	
	Man- years	Amount	Man- years	Amount	Man- years	Amount
01 Personal services (net).....	30.3	\$69,399			12	\$37,200
02 Travel expenses.....		3,368				2,000
03 Transportation of things.....		5,601				
04 Communication services.....		1,946				150
05 Rents and utility services.....		4,029				
07 Other contractual services.....		4,940		\$52		600
08 Supplies and materials.....		2,939				50
Grand total obligations.....		92,222		52		40,000
Received by transfer from Disaster Loan Corporation.....		-92,170				
<b>Total administrative expense.....</b>		<b>52</b>		<b>52</b>		<b>40,000</b>

**SCHEDULE B-3  
PERSONAL SERVICES**

By grades	1945, actual	1946, estimated	1947, estimated	
<b>PERSONAL SERVICES, DEPARTMENTAL</b>				
Clerical, administrative, and fiscal service:	Man- years	Man- years	Man- years	
Grade 13. Range \$6,230 to \$7,070:	Amount	Amount	Amount	
Liquidating officer.....			1	\$6,230
Grade 9. Range \$3,640 to \$4,300:				
Administrative officer.....			0.9	3,276
Fiscal accountant.....			3	10,920
Grade 7. Range \$2,980 to \$3,640.....			2.6	7,560
Grade 4. Range \$2,100 to \$2,496.....			3.5	7,312
Grade 3. Range \$1,902 to \$2,298.....			1	1,902
<b>Total permanent, departmental.....</b>			<b>12</b>	<b>37,200</b>
<b>All personal services, departmental.....</b>			<b>12</b>	<b>37,200</b>
<b>PERSONAL SERVICES, FIELD</b>				
Clerical, administrative, and fiscal service:				
Grade 12. Range \$5,180 to \$6,020:				
Fiscal agent.....	0.5	\$2,482		
Grade 9. Range \$3,640 to \$4,300:				
Administrative assistant.....	0.4	1,240		
Area superintendent.....	2	6,424		
Grade 4. Range \$2,100 to \$2,496.....	0.7	1,260		
Grade 3. Range \$1,902 to \$2,298.....	0.3	450		
Professional service:				
Grade 5. Range \$5,180 to \$6,020:				
Forester.....	0.7	3,220		
Grade 4. Range \$4,300 to \$5,180:				
Forester.....	0.4	1,520		
Crafts, protective, and custodial service:				
Grade 10. Range \$2,980 to \$3,640.....	0.6	1,560		
Grade 9. Range \$2,650 to \$3,310.....	0.2	460		
Unclassified.....	0.4	846		
<b>Total permanent, field.....</b>	<b>6.2</b>	<b>19,462</b>		
Temporary employees, field.....	<b>24.1</b>	<b>40,885</b>		
Overtime pay, field.....		9,052		
<b>All personal services, field.....</b>	<b>30.3</b>	<b>69,399</b>		
<b>01 Personal services (net).....</b>	<b>30.3</b>	<b>69,399</b>	<b>12</b>	<b>37,200</b>



## FEDERAL FARM MORTGAGE CORPORATION

### CREATION AND PURPOSE

Economic conditions in the spring of 1933 were such that the demand for farm mortgage credit far exceeded the funds available. To provide additional farm mortgage credit, Congress passed the Emergency Farm Mortgage Act of 1933 (48 Stat. 48), effective May 12, 1933. Section 32 (12 U. S. C. 1016 et seq.) directed the Reconstruction Finance Corporation to make available to the land bank commissioner the sum of \$200,000,000 for the purpose of making loans to farmers on the security of a first or second lien on real or personal property in an amount which, together with prior encumbrances, might not exceed 75 percent of the appraised normal value of the property.

With the progress of the lending program of the commissioner under section 32 of the Emergency Farm Mortgage Act of 1933, and of the Federal land banks for their own account, it became apparent that the fund made available to the commissioner would not be sufficient to meet demands upon it. To meet this situation, the Federal Farm Mortgage Corporation was created on January 31, 1934 (12 U. S. C. 1020 et seq.), and began operations almost immediately. The Corporation is authorized to have succession until dissolved by act of Congress (12 U. S. C. 1020a).

Originally, the Federal Farm Mortgage Corporation was an independent establishment, closely allied, however, with the Farm Credit Administration. Effective July 1, 1939, the Farm Credit Administration and the Federal Farm Mortgage Corporation were placed within the Department of Agriculture and are now under the general direction and supervision of the Secretary of Agriculture, pursuant to section 401, part 4, reorganization plan No. 1, dated April 25, 1939. All officers and employees of the Corporation are officers and/or employees of either the Federal land banks or Farm Credit Administration, and serve the Corporation without compensation other than that which they receive from the respective agencies, which are reimbursed by the Corporation for the cost of such services.

The main purpose of the Corporation was to provide funds for loans to farmers by the Federal land banks and by the land bank commissioner. To accomplish this, the Corporation is authorized to issue and have outstanding at any one time \$2,000,000,000 of bonds fully and unconditionally guaranteed both as to principal and interest by the United States.

On such terms and conditions as may be agreed upon, the Corporation may exchange its bonds for an equal face amount of consolidated farm loan bonds issued by the 12 Federal land banks and may likewise exchange such consolidated farm loan bonds for bonds of the Corporation (12 U. S. C. 1020c). It may purchase consolidated farm loan bonds at such prices and upon such terms as may be approved by the board of directors; may make loans to Federal land banks on the security of consolidated farm loan bonds; may make loans to Federal land banks and (not exceeding \$10,000,000 at any one time) to joint stock land banks upon the security of real estate mortgages, sheriffs' certificates, sales contracts, and real estate, upon such terms as may be prescribed by the board of directors (12 U. S. C. 1020d).

The Corporation is further authorized (12 U. S. C. 1020d) to invest its funds in mortgage loans made in the name of the land bank commissioner under the provisions of section 32 of the Emergency Farm Mortgage Act of 1933 (12 U. S. C. 1016). The commissioner's lending authority under this act, as amended, expires July 1, 1946. The services and facilities of the Federal land banks and national farm loan associations are utilized in administering the provisions of that act relating to commissioner loans (12 U. S. C. 1018).

### FINANCIAL ORGANIZATION

Section 3 of the Federal Farm Mortgage Corporation Act (12 U. S. C. 1020b) provides that the capital of the Corporation should be in the sum of \$200,000,000 subscribed by the Governor of the Farm Credit Administration on behalf of the United States. For the purpose of such capital subscription, the \$200,000,000 fund which previously had been made available to the land bank commissioner, together with the proceeds thereof, and the notes and mortgages which had already been taken by the commissioner, were by the act expressly transferred to the Corporation. Under authority of section 4 of the act of June 25, 1940 (54 Stat. 573), and section 14 of the act of June 30, 1945 (Public Law 98), amending section 3 of the Federal Farm Mortgage Corporation Act, the Corporation on May 15, 1941, repaid to the Secretary of the Treasury \$100,000,000 of its capital and on July 31, 1945, retired an additional \$50,000,000, reducing the paid-in capital to \$50,000,000. The proceeds of such repayments are to be held in the Treasury of the United States as a fund available for subscription by the Governor of the Farm Credit Administration on behalf of the United States to the capital of the Corporation.

With the approval of the Secretary of the Treasury, the Corporation has authority to issue and have outstanding at any one time bonds in an aggregate amount not exceeding \$2,000,000,000. The Corporation, with the approval of the Secretary of the Treasury, prescribes the terms and conditions of the bonds, the rates of interest which they shall bear, the manner in which they are issued, and the prices at which they are sold. The bonds are fully and unconditionally guaranteed both as to interest and principal by the United States, and all redemptions, purchases, and sales of the bonds of the Corporation by the Secretary of the Treasury are required to be treated as public debt transactions of the United States. The Federal Farm Mortgage Corporation has issued no bonds to the public since approval of the Public Debt Act of 1941; however, when necessary, has sold short-term bonds to the Treasury of the United States. A statement of condition of the Corporation is shown immediately following the textual material (exhibit C).

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Corporation for the fiscal year 1947, it is necessary to recognize the effect that the act of June 30, 1945 (Public Law 98) as well as economic conditions may have upon the activities of the Corporation. For this reason it is necessary to

make certain assumptions with respect to conditions during the fiscal years 1946 and 1947 as a basis for projecting the activity for the period. These assumptions are discussed below in connection with the respective programs. The level at which these activities were carried on during the fiscal year 1945 and the projected level for the fiscal years 1946 and 1947 are shown in the statement of sources and application of funds in the financial statements immediately following the narrative (exhibit A).

*Land bank commissioner loans.*—The Emergency Farm Mortgage Act of 1933, as amended by the Farm Credit Act of 1935, provides that land bank commissioner loans could be made for any purpose for which Federal land bank loans may be made and in addition for refinancing any indebtedness, secured or unsecured, of the farmer (12 U. S. C. 1016f).

Land bank commissioner loans, together with all prior mortgages or other evidences of debt on the collateral security, shall not exceed 75 percent of the normal agricultural value of the farms as determined by appraisal, nor shall a loan in excess of \$7,500 be made to any one farmer. There is no difference between the concept of normal value for commissioner loans and that for Federal land bank loans, but the commissioner may accept security that is not considered eligible for a Federal land bank loan, and also may make loans based in part on dependable outside income of the applicant, or on the prudent investment value of the security (12 U. S. C. 1016b).

The act of June 30, 1945, extends the lending authority of the land bank commissioner from July 1, 1945, to July 1, 1946, and authorizes other changes of major importance which will materially affect the future operations of the Corporation. One of the important provisions authorizes the Federal land banks to make loans not exceeding 65 percent of the appraised normal value of the mortgaged farm considered as a unit. The previous loanable limit, which had been in effect since the original Federal Farm Loan Act was passed, was 50 percent of the appraised normal value of the mortgaged land plus 20 percent of the appraised value of the permanent, insured improvements thereon; therefore, second mortgage commissioner loans will be smaller in amount than heretofore, since the spread between the loanable limit of the banks and the Corporation is only 10 percentage points.

Farmers obtained 22,760 first and second mortgage loans aggregating \$40,243,955 during the year ended June 30, 1945, as compared with 17,781 loans for \$31,701,354 in the fiscal year 1944. This brought to 645,615 the number, and to \$1,186,425,763 the amount of loans closed since May 12, 1933.

After giving effect to all of the foregoing factors, it is estimated that loans in the amount of \$13,722,845 will be closed in the fiscal year 1946; no loans to farmers will be made during the fiscal year 1947.

There is no legislation presently pending, but studies are currently being conducted to determine if it is desirable to recommend to the Congress that the lending authority of the land bank commissioner be extended beyond July 1, 1946. The following financial statements do not provide for such a contingency, but in the event such legislation is enacted, the Corporation will close new loans during the fiscal year 1947.

During the fiscal year 1945, the first and second mortgage loan accounts decreased from 294,539 loans with unpaid principal balances totaling \$368,880,901 to 252,797 loans with unpaid principal balances totaling \$308,915,339. This decrease results primarily from the excess of principal repayments over new loans closed during the period.

Subject to stock ownership requirements and existing loan limits, the Federal land banks are empowered by the act of June 30, 1945, to purchase from the Corporation mortgages and contracts for the sale of farms, and the Corporation is authorized to sell such assets to Federal land banks. A further liquidation of the Corporation's assets appears likely as a result of a provision of this act which permits the Federal land banks to defer principal payments on their own borrowers' loans to enable them to pay off junior lien indebtedness. Detailed reports submitted to the Federal land banks by the national farm loan associations indicate that the transfer of the Corporation loans to the banks may not reach the volume originally contemplated since numerous borrowers anticipate the early retirement of the Corporation's second mortgage loans thus precluding any substantial number of transfers.

Based on present indications, it is anticipated that loans amounting to \$85,000,000 will be transferred to the Federal land banks during the fiscal year 1946 and loans amounting to \$25,000,000 will be transferred during the fiscal year 1947; these transfers together with other repayments will leave a combined total of first and second mortgages outstanding at June 30, 1947, of \$95,203,811.

*Liquidation of acquired security or collateral.*—On June 30, 1945, the Corporation owned outright and held subject to redemption a total of 645 farms, in which it had a net investment (i. e., excluding unmatured prior liens not assumed) of \$2,646,955. This reflects declines of 64.5 percent in number and 61.8 percent in amount from the comparable June 30, 1944, figures and declines of 93.8 percent in number and 91.5 percent in investment since the September 1939 peak inventory of 10,478 properties in which the Corporation had a net investment of \$31,081,937. The same general trend is forecast for the fiscal years 1946 and 1947 and it is expected that the net investment in acquired security and collateral will be reduced to \$348,810 by June 30, 1947.

*Investments.*—The Corporation had no investments at June 30, 1945; however, on July 2, 1945, the Corporation advanced to the Federal land banks \$172,300,000 on 90-day notes secured by consolidated farm loan bonds to assist the banks in their current refinancing program. The foregoing loan was repaid August 1, 1945. No further investment transactions are anticipated during the remainder of the fiscal year 1946 or the fiscal year 1947.

*Financing.*—While its Government-owned capital and its accumulated earnings have been a source of funds for lending purposes, the Corporation's primary source has been the issuance of bonds. Since the first issue in 1934, a total of \$2,757,559,000 has been issued, of which \$365,000,000 of 1 percent Corporation unmatured bonds was outstanding at the beginning of the 1945 fiscal year, all of which were held by the Secretary of the Treasury; of the latter amount \$257,000,000 was repurchased prior to maturity with excess cash accumulations, and the remaining \$108,000,000 was refunded on June 30, 1945 (the maturity date) through the issuance to the Secretary of the Treasury of a like amount of similar 1 percent bonds, due June 30, 1946.

On July 2, 1945, the Corporation issued and sold to the United States Treasury \$172,300,000 of 1 percent bonds in order to provide funds to assist the Federal land banks in their current financing program; also, additional 1 percent bonds in the amount of \$50,000,000 were issued and sold to the Treasury on July 31, 1945, to provide funds to retire \$50,000,000 in outstanding capital stock pursuant to section 14 of the Act approved June 30, 1945 (Public Law 98).

Although it is not anticipated that further transactions of this nature will occur either in the remainder of the fiscal year 1946 or the fiscal year 1947, the Federal land banks are completing their current refinancing program during this period, and the Corporation may be called upon to render temporary assistance.

The Corporation's authority to issue and have bonds outstanding up to 2 billion dollars (12 U. S. C. 1020c) appears far in excess of any foreseeable need. Legislation will be proposed to the Congress to reduce this authority to \$1,000,000,000.

It is expected that all unmatured bonds outstanding will be retired by June 30, 1946.

#### OPERATING RESULTS

The total operating income of the Corporation for the fiscal year 1945 amounted to \$17,761,251, as compared with \$38,790,395 in the preceding year. This reduction is attributable largely to a \$14,593,630 decrease in net income from investments, and a \$5,954,979 decrease in interest income from mortgage loans which resulted from the smaller volume of outstanding loans, and a reduction of the interest accrual rate from 5 percent to 4 percent per annum for interest payable on instalment dates occurring on or after July 1, 1944, and prior to July 1, 1945. Declining \$14,593,630 in dollar amount, the proportion of total operating income from investments decreased from 44.1 percent in the fiscal year 1944 to 14.3 percent in 1945, reflecting the liquidation of the Corporation's security holdings during the past year. It is anticipated that the decline in operating income will continue in the fiscal years 1946 and 1947 and that operating income for these years will be \$12,666,373 and \$6,917,917, respectively.

The total operating expense of the Corporation for the fiscal year 1945 was \$9,383,226, of which \$6,916,988 (net) was for administrative expenses, and the remaining \$2,466,238 represented the net interest cost of the Federal Farm Mortgage Corporation bonds and other interest expense. Payments to the Farm Credit Administration, United States Treasury, and Federal Reserve banks for various services rendered and reimbursements to the 12 Federal land banks for making and servicing commissioner loans and for servicing and disposing of acquired real estate represent the administrative expenses of the Corporation. It is contemplated that operating expense for 1946 will amount to \$7,469,275 and that such expenses for 1947 will amount to \$4,094,375.

Total net nonoperating losses for the fiscal year 1945 aggregated \$720,762. Such losses for 1946 are estimated at \$279,715 and for 1947 at \$63,828.

During the fiscal year 1945, operations resulted in a net income of \$10,927,773 after making a reduction of \$3,270,510 in valuation reserves. After a further downward adjustment in valuation reserves, it is estimated that the Corporation will have a net income of \$17,535,502 in the fiscal year 1946 and \$7,372,489 in the fiscal year 1947. After giving effect to the foregoing, it is estimated that the earned surplus account of the Corporation will amount to \$79,612,419 at June 30, 1947 (see exhibits B and C).

#### FINANCIAL CONDITION

*Investments.*—The entire \$171,954,700 (par amount) of consolidated Federal farm loan bonds held on June 30, 1944, was sold to or redeemed by the Federal land banks during the 1945 fiscal year. The funds so derived, together with excess cash accumulations from operations

and asset liquidation, were used by the Corporation to reduce its bonded indebtedness.

*Loans receivable.*—Mortgage loans, purchase money mortgages, sales contracts, etc., outstanding on June 30, 1945, decreased in number and amount from those outstanding on June 30, 1944, due principally to the excess of repayments over new loans closed during the past fiscal year. Increased farm commodity prices and generally improved agricultural conditions which have enabled farmer-borrowers to retire their debts in advance are also reflected in the improved condition of loans and real estate sales paper. As of June 30, 1945, only 16,758, or 6.4 percent, of the 262,859 outstanding mortgage loans, purchase money mortgages, and sales contracts were delinquent compared to 21,608, or 7.1 percent, a year ago. Loans in foreclosure, loans in suspense because of the prior liens being in foreclosure, and loans in suspense because payments thereon have been postponed by agreements between the Corporation and the borrowers likewise decreased in number and amount during the period. The number of loans in foreclosure decreased from 1,008 to 432, or 57.1 percent; loans in suspense—prior liens in foreclosure from 49 to 24, or 51.0 percent; and loans in suspense—payments postponed by agreement from 726 to 37, or 94.9 percent. The reserve maintained against loans receivable on June 30, 1945, is considered more than adequate since it is estimated that loans in the amount of \$110,000,000 will be transferred to the Federal land banks during the fiscal years 1946 and 1947. It is contemplated downward adjustments of \$16,516,635 will be made in the reserve for loans receivable and \$714,259 in the reserve for acquired security and collateral, making a total adjustment of \$17,230,894 during this period.

*Bonds payable.*—Of the \$365,000,000 of 1 percent bonds outstanding on June 30, 1944, all of which were held by the Secretary of the Treasury, \$257,000,000 was repurchased prior to maturity with excess cash accumulations arising principally from the liquidation of mortgage loan assets and the sale or redemption of the Corporation's remaining holdings of consolidated Federal farm loan bonds. The \$108,000,000 of bonds outstanding on June 30, 1945, constituted the entire unmatured bonded debt of the Corporation and it is expected that the entire amount will be retired prior to June 30, 1946.

*Return of capital funds to the Treasury.*—The capital of the Corporation on June 30, 1945, consisted of its Government-owned capital stock of 100 million dollars and unreserved surplus of \$54,704,428. Pursuant to section 14 of the act of June 30, 1945, 50 million dollars of capital stock was returned to the revolving fund in the United States Treasury July 31, 1945.

The board of directors of the Corporation will give consideration to the further retirement of Government-owned stock during the fiscal year 1947. Returns during 1947, estimated at 40 million dollars, are reflected in the financial statements. Legislation authorizing such action will be proposed to the Congress.

#### ADMINISTRATIVE EXPENSE

Administrative expense represents reimbursements to the Farm Credit Administration and other agencies of the Department of Agriculture for services rendered to the Corporation, supervision of the Federal land banks in making and servicing commissioner loans, and in other advisory and administrative capacities; and includes payments to the United States Treasury and the Federal Reserve banks for expenses in handling bond transactions for the Corporation. It also represents reimbursement to

the Federal land banks for services performed as agents of the Federal Farm Mortgage Corporation and the land bank commissioner. However, provision has not been made for the cost of audits by the General Accounting Office, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

During the fiscal year 1945 administrative costs amounted to \$7,076,073, and it is expected that such costs will continue to decline to \$6,450,000 in 1946 and \$4,000,000 in 1947. The authorizing language implementing the Corporation's budget for the fiscal year 1947 includes a limitation of \$4,000,000 for costs of administration. (For further details see statement of income and expense (exhibit B), and schedule B-1.)

#### LANGUAGE

##### FEDERAL FARM MORTGAGE CORPORATION

###### Administrative Expenses, Federal Farm Mortgage Corporation—

[Not to exceed \$6,450,000 of the funds of the Federal Farm Mortgage Corporation, established by the Act of January 31, 1934 (12 U. S. C. 1020-1020h), shall be available during the current fiscal year for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses of officers and employees of the Corporation, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding, lawbooks, books of reference, and not to exceed \$250 for periodicals and newspapers; contract stenographic reporting services; procurement of supplies, equipment, and services; main-

tenance, repair, and operation of motor-propelled passenger-carrying vehicles, to be used only for official purposes; rent in the District of Columbia; payment of actual transportation and other necessary expenses and not to exceed \$10 per diem in lieu of subsistence of persons serving, while away from their homes, without other compensation from the United States, in an advisory capacity to the Corporation; employment on a contract or fee basis of persons, firms, and corporations for the performance of special services, including legal services; use of the services and facilities of Federal land banks, national farm loan associations, Federal Reserve banks, and agencies of the Government as authorized by said Act of January 31, 1934; and all other necessary administrative expenses: *Provided*, That except for the limitation in amounts hereinbefore specified, and the restrictions in respect to travel expenses, the administrative expenses and other obligations of the Corporation shall be incurred, allowed, and paid in accordance with the provisions of said Act of January 31, 1934, as amended (12 U. S. C. 1016-1020h) **1**.

*The types of programs set forth in the 1947 budget of the Federal Farm Mortgage Corporation (12 U. S. C. 1020-1020h), within the funds available to it, are approved: Provided, That not to exceed \$4,000,000 of such funds shall be available for administrative expenses (as shown in its statement of income and expenses) which shall be classified as such in a manner consistent with prior years and shall be on an accrual basis, and such funds shall be available for employment on a contract or fee basis of persons, firms, and corporations for the performance of special services, including legal services; use of the services and facilities of the Federal land banks, national farm loan associations, Federal Reserve banks, and agencies of the Government as authorized by the Act of January 31, 1934: Provided, That except for the limitation in amount hereinbefore specified the administrative expenses and other obligations of the corporation shall be incurred, allowed, and paid in accordance with the provisions of said Act of January 31, 1934, as amended (12 U. S. C. 1016-1020h). (Act of May 5, 1945, Public Law 52; Act of Dec. 6, 1945, Public Law 248.)*

## FEDERAL FARM MORTGAGE CORPORATION

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## EXHIBIT A

## COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
To make loans to farmers.....	\$42,998,136	\$13,722,845	
To acquisition and improvement of acquired security or collateral.....	2,445,049	681,140	\$342,900
Operating expenses:			
Interest on bonds.....	\$2,246,836	\$832,701	
Other interest expense.....	219,402	186,574	\$94,375
Administrative expenses (see schedule B-1).....	7,076,073	6,450,000	4,000,000
Expense credits, prior year's adjustments.....	*159,085		
	9,383,226	7,469,275	4,094,375
To repayment of borrowings:			
To U. S. Treasury.....	365,000,000	330,300,000	
To the public.....	35,083,700	4,829,700	3,000,000
	400,083,700	335,129,700	3,000,000
To repayment of paid-in capital: To U. S. Treasury.....		50,000,000	40,000,000
To net increase in other assets.....		778	
To net decrease in other liabilities.....	423	913	
To increase (or decrease*) working capital.....	*38,999,569	*2,696,002	30,583,103
<b>Total funds applied.....</b>	<b>415,910,965</b>	<b>404,308,649</b>	<b>78,020,387</b>
<b>FUNDS PROVIDED</b>			
By repayments of principal of loans.....	112,074,501	166,890,482	70,472,614
By sale of acquired security or collateral:			
Carrying value of acquired security or collateral sold.....	6,247,526	2,593,817	647,751
Gain (or loss*) on sale of acquired security or collateral.....	*528,894	*291,580	*59,953
	5,718,632	2,302,237	587,798
By operating income:			
Interest on mortgage loans.....	13,867,038	11,629,451	6,337,267
Interest on purchase money mortgages, contracts, extensions, and other.....	1,246,732	870,007	576,640
Income from investments.....	2,532,625		
Interest on notes receivable, Federal land banks.....		88,510	
Loans and other fee income.....	111,463	75,839	2,700
Other.....	3,393	2,566	1,310
	17,761,251	12,666,373	6,917,917
By nonoperating income:			
Recovery on loans charged off.....	121,235	121,632	27,875
Recovery on acquired security charged off.....	224,108	27,925	12,183
	345,343	149,557	40,058
By borrowings: From U. S. Treasury.....	108,000,000	222,300,000	
By sale of investments:			
Consolidated Federal farm loan bonds.....	171,954,700		
Gain on sale of Federal farm loan bonds.....	52,285		
	172,006,985		
By net decrease in other assets.....	4,253		2,000
<b>Total funds provided.....</b>	<b>415,910,965</b>	<b>404,308,649</b>	<b>78,020,387</b>

\*Deduct.

## EXHIBIT B

## COMPARATIVE STATEMENT OF INCOME AND EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Interest on mortgage loans .....	\$13,867,038	\$11,629,451	\$6,337,267
Interest on purchase money mortgages, contracts, extensions, and other .....	1,246,732	870,007	576,640
Income from investments .....	2,532,625		
Interest on notes receivable, Federal land banks .....		88,510	
Loan and other fee income .....	111,463	75,839	2,700
Other .....	3,393	2,566	1,310
Total operating income .....	\$17,761,251	\$12,666,373	\$6,917,917
<b>Operating expenses:</b>			
Interest on bonds .....	2,246,836	832,701	
Other interest expense .....	219,402	186,574	94,375
Administrative expenses .....	7,076,073	6,450,000	4,000,000
Expense credits, prior year's adjustments .....	*159,085		
Total operating expenses .....	9,383,226	7,469,275	4,094,375
Net operating income .....	8,378,025	5,197,098	2,823,542
<b>Nonoperating income and expenses:</b>			
Loans receivable charged off .....	5,702	50,633	*2,125
Accounts and notes receivable charged off .....	*68		
Loss* on acquired security .....	*778,681	*330,348	*61,703
Gain on securities sold .....	52,285		
Net nonoperating loss* .....	*720,762	*279,715	*63,828
Net income before adjustment of valuation reserves .....	7,657,263	4,917,383	2,759,714
<b>Adjustment of valuation reserves</b> .....	3,270,510	12,618,119	4,612,775
Net income for year .....	10,927,773	17,535,502	7,372,489

## ANALYSIS OF EARNED SURPLUS

	1945, actual	1946, estimated	1947, estimated
Balance at beginning of fiscal year .....	\$43,776,655	\$54,704,428	\$72,239,930
Net income for year (above) .....	10,927,773	17,535,502	7,372,489
Balance at end of fiscal year .....	54,704,428	72,239,930	79,612,419

\*Deduct.

## FEDERAL FARM MORTGAGE CORPORATION

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**EXHIBIT C**  
**COMPARATIVE STATEMENT OF FINANCIAL CONDITION**

[As of June 30, 1944, 1945, 1946, and 1947]

	1944, actual	1945, actual	1946, estimated	1947, estimated
<b>ASSETS</b>				
<b>Cash:</b>				
With U. S. Treasury .....	\$45,476,499	\$10,235,829	\$5,463,644	\$35,345,202
On hand .....	199,000	69,000		
<b>Total</b> .....	<b>45,675,499</b>	<b>10,304,829</b>	<b>5,463,644</b>	<b>35,345,202</b>
<b>Investments: Consolidated Federal farm loan bonds</b> .....	171,954,700			
<b>Loans receivable:</b>				
First mortgage loans .....	130,387,899	104,086,460	63,232,139	39,847,479
Second mortgage loans .....	238,493,002	204,823,879	98,529,037	55,356,332
Purchase money first mortgages .....	3,909,409	3,223,120	2,500,401	1,788,026
Purchase money second mortgages .....	1,869,261	1,605,576	1,175,451	851,351
Real estate sales contracts and notes receivable (net) .....	12,329,431	10,216,835	7,046,957	4,353,157
Unmatured extensions of matured items on mortgage loans, purchase money mortgages, etc. ....	3,671,153	1,413,370	243,683	124,783
Loans in foreclosure .....	2,729,253	1,076,358	607,800	525,400
Loans in suspense:				
Prior liens in foreclosure .....	172,192	76,993	49,374	38,000
Payments postponed by agreement .....	2,256,076	98,187	2,300	
<b>Total</b> .....	<b>395,817,676</b>	<b>326,625,778</b>	<b>173,387,142</b>	<b>102,884,528</b>
Less reserve .....	68,053,780	66,475,069	54,444,390	49,958,434
<b>Net</b> .....	<b>327,763,896</b>	<b>260,150,709</b>	<b>118,942,752</b>	<b>52,926,094</b>
<b>Accounts and notes receivable:</b>				
U. S. Treasury, interest reduction .....	1,364,205	3,754	375	
Federal land banks .....	555,764	461,864	608,500	353,550
Delinquent interest, matured extensions, tax and insurance advances, and miscellaneous items due:				
Mortgage loans .....	1,623,705	1,263,248	1,155,770	711,020
Purchase money mortgages, contracts, etc. ....	34,510	24,798	28,590	23,459
Other .....	27,811	10,208	105,010	32,270
<b>Total</b> .....	<b>3,605,995</b>	<b>1,763,872</b>	<b>1,898,245</b>	<b>1,120,299</b>
<b>Accrued interest receivable:</b>				
On consolidated Federal farm loan bonds .....	1,714,363			
On mortgage loans receivable .....	5,300,382	5,044,306	2,769,471	1,626,462
<b>Total</b> .....	<b>7,014,745</b>	<b>5,044,306</b>	<b>2,769,471</b>	<b>1,626,462</b>
<b>Acquired security or collateral:</b>				
Real estate:				
Not subject to prior liens .....	3,378,171	1,057,694	270,085	156,275
Subject to prior liens .....	6,473,095	2,808,492	748,820	362,600
Less unmaturing prior liens not assumed .....	2,928,220	1,219,231	351,320	170,065
Chattels owned .....	281			
<b>Total</b> .....	<b>6,923,327</b>	<b>2,646,955</b>	<b>667,585</b>	<b>348,810</b>
Less reserve .....	2,506,579	814,780	227,340	100,521
<b>Net</b> .....	<b>4,416,748</b>	<b>1,832,175</b>	<b>440,245</b>	<b>248,289</b>
<b>Deferred charges</b> .....		47,716		
<b>Other assets</b> .....	9,225	4,972	5,750	3,750
<b>Total assets</b> .....	<b>560,440,808</b>	<b>279,148,579</b>	<b>129,520,107</b>	<b>91,270,096</b>
<b>LIABILITIES</b>				
<b>Accounts payable:</b>				
Federal land banks .....	635,297	684,648	296,727	173,527
Matured items on prior liens not assumed .....	653,491	268,632	79,038	25,100
Other .....	29,214	5,254	1,675	1,550
<b>Total</b> .....	<b>1,318,002</b>	<b>958,534</b>	<b>377,440</b>	<b>205,177</b>
<b>Matured interest on bonds</b> .....	1,042,649	407,438	196,380	
<b>Trust and deposit liabilities:</b>				
Deferred proceeds of loans .....	838,599	2,203,852	1,221,400	4,400
Conditional payments .....	4,817,957	4,416,363	1,997,772	1,160,880
Other .....	320,551	258,845	151,650	54,150
<b>Total</b> .....	<b>5,977,107</b>	<b>6,879,060</b>	<b>3,370,822</b>	<b>1,219,430</b>

## EXHIBIT C—Continued

## COMPARATIVE STATEMENT OF FINANCIAL CONDITION—Continued

	1944, actual	1945, actual	1946, estimated	1947, estimated
<b>LIABILITIES—Continued</b>				
<b>Bonds payable:</b>				
Unmatured principal.....	\$365,000,000	\$108,000,000		
Matured principal.....	42,913,400	7,829,700	\$3,000,000	
Total.....	407,913,400	115,829,700	3,000,000	
<b>Undistributed credits:</b>				
Unapplied cash receipts.....	306	1,423	1,000	\$1,000
Extra or special payments (unendorsed).....	48,291	69,540	82,800	61,650
Payments on unmatured indebtedness.....	362,592	297,073	251,265	169,950
Total.....	411,189	368,036	335,065	232,600
<b>Other liabilities</b> .....	1,806	1,383	470	470
<b>Total liabilities</b> .....	416,664,153	124,444,151	7,280,177	1,657,677
<b>CAPITAL</b>				
<b>Paid-in capital:</b> Capital stock, U. S. Government.....	100,000,000	100,000,000	50,000,000	10,000,000
<b>Earned surplus:</b> Unreserved surplus.....	43,776,655	54,704,428	72,239,930	79,612,419
<b>Total capital</b> .....	143,776,655	154,704,428	122,239,930	89,612,419
<b>Total liabilities and capital</b> .....	560,440,808	279,148,579	129,520,107	91,270,096

## SCHEDULE A-1

## CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (increase or decrease*):</b>			
<b>Cash:</b>			
With U. S. Treasury.....	*\$35,240,670	*\$4,772,185	\$29,881,558
On hand.....	*130,000	*69,000	
<b>Accounts and notes receivable:</b>			
U. S. Treasury, interest reduction.....	*1,360,451	*3,379	*375
Federal land banks.....	*93,900	146,636	*254,950
Delinquent interest, matured extensions, tax and insurance advances, and miscellaneous items due:			
Mortgage loans.....	*360,457	*107,478	*444,750
Purchase money mortgages, contracts, etc.....	*9,712	3,792	*5,131
Other.....	*17,535	94,802	*72,740
<b>Accrued interest receivable:</b>			
On Federal farm loan bonds.....	*1,714,363		
On mortgage loans receivable.....	*256,076	*2,274,835	*1,143,009
Deferred charges.....	47,716	*47,716	
<b>Current liabilities (increase* or decrease):</b>			
<b>Accounts payable:</b>			
Federal land banks.....	*49,351	387,921	118,200
Matured items on prior liens not assumed.....	384,859	189,594	63,933
Other.....	23,960	3,579	125
Matured interest on bonds.....	635,211	211,058	196,380
<b>Trust and deposit liabilities:</b>			
Deferred proceeds of loans.....	*1,365,253	982,452	1,217,000
Conditional payments.....	401,594	2,418,591	836,892
Other.....	61,706	107,195	97,500
<b>Undistributed credits:</b>			
Unapplied cash receipts.....	*1,117	423	
Extra or special payments (unendorsed).....	*21,249	*13,260	21,150
Payments on unmatured indebtedness.....	65,519	45,808	81,315
<b>Increase in working capital</b> .....			30,583,103
<b>Decrease in working capital</b> .....	38,999,569	2,696,002	

\*Deduct.

## FEDERAL FARM MORTGAGE CORPORATION

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## SCHEDULE B-1

## ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Payments for services received:			
General (miscellaneous).....	\$13,899	\$25,000	\$25,000
Farm Credit Administration.....	538,527	572,176	522,291
Federal land banks.....	6,394,700	5,830,784	3,439,869
Federal Reserve banks.....	30,846	5,000	5,000
Treasury of the United States.....	45,657	17,040	7,840
Bureau of Agricultural Economics.....	52,444		
Total administrative expense <sup>1</sup> .....	7,076,073	6,450,000	4,000,000
Payable from funds of the Corporation.....	-8,200,000	-6,450,000	-4,000,000
Excess of authorization over expenses.....	+1,123,927		
Total estimate or appropriation.....			

<sup>1</sup> Does not provide for General Accounting Office audit assessment for which no estimate is available.

## SCHEDULE C-1

## POSITION OF CORPORATION WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Outstanding bonds payable at beginning of year.....	\$407,913,400	\$115,829,700	\$3,000,000
Bonds issued during the year.....	108,000,000	222,300,000	
Total.....	515,913,400	338,129,700	3,000,000
Less retirement of outstanding bonds.....	400,083,700	335,129,700	3,000,000
Required borrowing authority.....	115,829,700	3,000,000	
Authorized borrowing authority.....	2,000,000,000	2,000,000,000	<sup>1</sup> 1,000,000,000
Additional borrowing authority required.....			

<sup>1</sup> Legislation will be proposed to the Congress to reduce the authorized borrowing authority (12 U. S. C. 1020c) to 1 billion dollars.

SCHEDULE C-2  
STATUS OF LOANS RECEIVABLE

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
<b>First mortgage loans:</b>				
Current .....	113,565	\$119,156,670	94,885	\$96,315,345
Delinquent:				
Unmatured principal .....	7,931	10,596,595	5,791	7,317,146
Matured principal .....		634,634		453,969
Total first mortgage loans .....	121,496	130,387,899	100,676	104,086,460
<b>Second mortgage loans:</b>				
Current .....	160,119	217,657,119	141,798	188,998,305
Delinquent:				
Unmatured principal .....	12,924	19,250,923	10,323	14,584,971
Matured principal .....		1,584,960		1,245,603
Total second mortgage loans .....	173,043	238,493,002	152,121	204,828,879
<b>Purchase money first mortgages:</b>				
Current .....	3,024	3,719,905	2,525	3,053,317
Delinquent:				
Unmatured principal .....	122	179,697	105	161,314
Matured principal .....		9,807		8,489
Total purchase money first mortgages .....	3,146	3,909,409	2,630	3,223,120
<b>Purchase money second mortgages:</b>				
Current .....	1,105	1,725,600	994	1,478,029
Delinquent:				
Unmatured principal .....	85	129,427	70	120,236
Matured principal .....		14,234		7,311
Total purchase money second mortgages .....	1,190	1,869,261	1,064	1,605,576
<b>Real estate sales contracts and notes receivable:</b>				
Current .....	6,992	11,378,080	5,899	9,405,050
Delinquent:				
Unmatured principal .....	546	894,767	469	753,309
Matured principal .....		56,584		58,476
Total real estate sales contracts and notes receivable .....	7,538	12,329,431	6,368	10,216,835
<b>Total loans receivable .....</b>	<b>306,413</b>	<b>386,989,002</b>	<b>262,859</b>	<b>323,960,870</b>

SCHEDULE C-3  
EXCESS CAPITAL STOCK

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investment in Federal Farm Mortgage Corporation, payment on subscriptions to capital stock:			
Retirements .....		-\$50,000,000	-\$40,000,000
Prior year balance available in 1945 .....	-\$100,000,000		
1945 balance available in 1946 .....	+100,000,000	-100,000,000	
1946 balance available in 1947 .....		+150,000,000	-150,000,000
Unobligated balance .....			+190,000,000
<b>Total estimate or appropriation .....</b>			

## FEDERAL INTERMEDIATE CREDIT BANKS

### CREATION AND PURPOSE

The 12 Federal intermediate credit banks were organized pursuant to the Agricultural Credits Act of 1923 (title II of the Federal Farm Loan Act; 12 U. S. C. 1021-1022). The term of existence of the banks is unlimited.

The intermediate credit banks serve as banks of discount to provide a permanent source of credit for local lending institutions to supply agriculture with the types of credit needed at reasonable rates of interest and with maturities adapted to the normal liquidating seasons of the industry. The banks do not make loans directly to individuals or accept deposits of funds otherwise than as collateral security.

The banks are supervised by the intermediate credit commissioner, who is responsible to the Governor of the Farm Credit Administration. These officials are appointed by the President, by and with the consent of the Senate (12 U. S. C. 638; E. O. 6084, Mar. 27, 1933). The Farm Credit Administration operates under the general supervision of the Secretary of Agriculture (reorganization plan No. 1, pt. 4, sec. 401, Apr. 25, 1939).

Each intermediate credit bank operates under the direction of a District Farm Credit Board of seven members, who are ex officio the directors of the Federal intermediate credit bank, Federal land bank, district bank for cooperatives, and production credit corporation serving the district (12 U. S. C. 640b and 640d). Each unit has a separate staff of executive officers and employees, but a general agent and his staff, employed by the district board, serve as joint officers and employees of all four institutions, to coordinate their activities and furnish such services as legal, information, statistical, personnel administration, etc. (12 U. S. C. 640r (a)).

### FINANCIAL ORGANIZATION

To provide the system with financial stability which would enable the banks to finance their lending operations through the issuance and sale of debentures in the investment markets, the act fixed the capital at \$5,000,000 for each bank, a total of \$60,000,000 for the system (12 U. S. C. 1061). This capital was paid in by the Secretary of the Treasury from time to time, as called by the boards of directors of the banks with the approval of the Federal Farm Loan Board (later the Farm Credit Administration). Final payment of the \$60,000,000 originally authorized was made in June 1933. Additional capital for the system was provided by the Federal Farm Mortgage Corporation Act of January 31, 1934 (Public 86, 73d Cong., approved Jan. 31, 1934, sec. 15a). The act created a revolving fund of \$40,000,000 and authorized the Governor of the Farm Credit Administration, with the approval of the Secretary of the Treasury, to expend such amounts as he deemed necessary for subscriptions to the capital stock and/or paid-in surplus of the Federal intermediate credit banks (12 U. S. C. 1131i, 1061c). This fund was used in 1934 to pay in \$10,000,000 of additional capital and \$30,000,000 of paid-in surplus. These funds were returned to the United States Treasury in 1940, pursuant to the President's budgetary program for the fiscal year

1941, and are held in a revolving fund available for further subscriptions of capital and surplus in the event need therefor should arise.

As will be noted from the statement of financial condition (exhibit C), the intermediate credit banks at June 30, 1945, had paid-in capital and unimpaired surpluses aggregating \$91,197,300.

The banks are also authorized to issue debentures and other similar obligations. The amount which any bank may have outstanding may not exceed 10 times the surplus and paid-in capital of such bank (12 U. S. C. 1041).

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

*Lending program.*—The Federal intermediate credit banks are authorized and empowered, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the law (12 U. S. C. 1031 et. seq.), to engage in three types of lending activities, namely: (a) purchasing and discounting agricultural paper for agricultural or livestock credit corporations and similar institutions, organized under State laws, as well as for State and national banking institutions; making loans to such institutions secured by such paper; and making loans to and discounting paper for production credit associations; (b) making loans to cooperative associations of agricultural producers and livestock growers, secured by staple agricultural products or livestock, or by other collateral approved by the Governor; and (c) discounting paper for and making loans to the banks for cooperatives organized under the Farm Credit Act of 1933.

During the year ended June 30, 1945, the banks made loans and discounted paper amounting to \$873,643,868 and received repayments of \$878,867,125. For 1946, lending activities are estimated at \$878,174,754, with repayments of \$864,912,813, and for 1947 at \$939,605,116, with repayments of \$905,448,452.

In estimating the prospective volume of business for the fiscal year 1947 it has been assumed that there will be no sudden drastic change in the general level of agricultural and livestock production as compared with recent years. Further, it is assumed there will be an active market at reasonable price levels for agricultural products generally although the total income from such products may be less than during the preceding 2 years. Some increased demand for credit is anticipated due to continued high production costs, the need for new farming equipment, and repairs and improvement to farm property. In some areas the volume of credit also will be affected by shifts from crops which have been a primary source of cash income for many years to other types of agriculture.

Being banks of discount, the Federal intermediate credit banks do not initiate lending programs or promote and develop a demand for their services. It is their function expressly authorized and clearly defined in the act to finance eligible and acceptable paper in whatever volume may be offered by institutions qualified to receive credit from the banks. Their volume of business thus is governed by the demand for credit, which is affected by general economic conditions, prices of agricultural com-

modities, crop and livestock yields, and other variable factors, rather than by administrative action.

*Financing program.*—The banks finance their lending activities principally through the issuance and sale to the investing public of consolidated collateral trust debentures and by borrowing money (12 U. S. C. 1041 et seq.), rather than through the use of appropriated funds. Loans from commercial banks ordinarily are utilized only when unexpected demands arise between regular monthly debenture issue dates. The United States Government assumes no liability for the debentures or other obligations of the Federal intermediate credit banks, and that fact is required to be set forth on the face of their debentures (12 U. S. C. 1043). The banks consult the Secretary of the Treasury concerning each sale of debentures before offering them to the public.

During the fiscal year 1945, the banks issued debentures and borrowed money aggregating \$406,010,000 and retired obligations of \$418,075,000. For 1946, it is estimated that debentures and other borrowings will amount to \$495,235,000 and that \$469,727,000 will be retired. For 1947, borrowings are estimated at \$634,965,000, with repayments of \$602,112,000.

The estimated increase in debenture financing reflects not only the estimated increase in lending activity but also some shortening of average debenture maturities. The estimates are based upon the assumption that average maturities will be 6 months. Shortening the maturities to less than 6 months would increase the amount to be sold and retired, while longer maturities would require the issuance and retirement of a lesser aggregate amount.

#### OPERATING RESULTS

The net income of the intermediate credit banks for the year ended June 30, 1945, was \$1,673,187, after all expenses, adjustments of valuation reserves, net charge-offs, or recoveries, etc., and it is estimated on the basis of prospective volume of business, rate of income, and cost of money that their net income will be \$1,393,666 for 1946 and \$1,230,009 for 1947. These estimates are subject to material variation, due to conditions and developments beyond the control of the banks.

*Operating income.*—Operating income is derived principally from interest or discount on loans and discounts, and interest on investments. Gross income from loans and discounts amounted to \$4,525,075 in 1945, and it is estimated at \$4,620,972 and \$4,918,635 for 1946 and 1947, respectively. The rate of interest charged on regular loans and discounts is 1½ percent per annum (2 percent in Puerto Rico), except on loans secured by Commodity Credit Corporation loan documents, on which the banks charge a rate of interest equal to their average cost of outstanding debentures, plus a margin of ½ percent per annum. The lending rate may not, except with the approval of the Governor, exceed by more than 1 percent the rate of interest on the last issue of debentures.

Interest earned on investments also is subject to fluctuation, being determined by the average amount of securities owned and the rate of interest borne by the securities. Such income amounted to \$859,411 in 1945 and is estimated at \$977,113 and \$1,039,019 for 1946 and 1947, respectively.

*Nonoperating income.*—Nonoperating income for the fiscal year 1945 included \$712,891 of profits on securities sold, less \$142,906 of premium written off on securities purchased during the year. For 1946, profits of \$436,132 and write-offs of premium amounting to \$185,459 occurred

during the 6 months ended December 31, 1945. No additional profits or premium write-offs are estimated for the remainder of 1946 or for the year 1947, since it is impossible to determine at this time whether any security transactions will occur during the 18-month period or at what prices securities may be sold or purchased. The Secretary of the Treasury, or his designated representative, is consulted prior to each purchase or sale of securities amounting to \$100,000 or more.

*Operating expenses.*—Operating expenses consist principally of interest and other costs on outstanding debentures and other borrowed money, and administrative expenses, all of which are paid out of income. In addition to their direct expenses, the banks are assessed for the cost of supervision and examination by the Farm Credit Administration.

The credit banks also pay the banks for cooperatives for servicing commodity loans discounted for them, calculated at 66½ percent of the difference between the average cost of outstanding debentures and the discount rate charged.

Interest and other costs on debentures, together with interest paid on other borrowed money, amounted to \$2,764,824 in 1945, and are estimated at \$2,766,917 and \$2,955,386 for 1946 and 1947, respectively, reflecting estimated increase in amounts of debentures outstanding at prevailing interest rates. Administrative expenses, which amounted to \$1,506,308 for 1945, are estimated at \$1,647,436 and \$1,688,501 for 1946 and 1947, respectively.

*Franchise taxes.*—Each bank, at the end of its fiscal year, is required to pay to the United States a franchise tax equal to 25 percent of the amount of its net earnings for the year after providing for all costs of operation, absorbing any losses in excess of reserves therefor, eliminating any impairment of paid-in capital or paid-in surplus, and providing reserves against unforeseen losses and assets of doubtful value in such amount as its board of directors has prescribed (12 U. S. C. 1072). Since their organization in 1923, the Federal intermediate credit banks have paid to the United States Treasury franchise taxes aggregating \$6,670,537, of which \$305,797 was paid in July 1945, and represented the franchise tax on earnings for the fiscal year ended June 30, 1945. It is estimated that franchise taxes will amount to \$268,685 and \$236,245 for 1946 and 1947, respectively.

Net earnings remaining after payment of franchise taxes are required to be paid into the surplus accounts of the banks. For the year ended June 30, 1945, \$917,390 was added to earned surplus, and such credits are estimated at \$809,981 and \$708,764 for 1946 and 1947, respectively.

#### FINANCIAL CONDITION

*Loans and discounts.*—Loans and discounts outstanding on June 30, 1945, aggregated \$315,840,536, net (after deducting full valuation reserves against purchase money mortgages and real estate sales contracts amounting to \$37,884). Of this amount \$11,384,358 was secured by notes under Commodity Credit Corporation loan programs and documents evidencing purchases of commodities by that corporation. Delinquent loans and discounts amounted to \$4,273,469, of which less than \$20,000 was past due 3 months or more. All paper carried by the intermediate credit banks (except direct loans to cooperative associations, which are secured by approved collateral) is required to be endorsed by the bank or corporation for which it is discounted. No loss to the intermediate credit banks on any presently outstanding loans and discounts is in prospect. It is estimated that

outstanding paper will amount to \$329,092,777 and \$363,250,691 on June 30, 1946 and 1947, respectively.

*Investments.*—Investments in public debt obligations of the United States amounted to \$36,511,000 (par value) on June 30, 1945. These holdings were increased to \$43,150,800 as of December 31, 1945. No change in the amount of securities held by the banks is contemplated for the year 1947. Purchases of approximately \$20,000,000 and sales of a like amount may be made during the year, to rearrange the portfolios of the several banks in line with the policy of liquidating holdings as they approach call dates and reinvesting the proceeds, and to employ temporary accumulations of surplus cash. All investment securities are carried by the banks at par, or at amortized cost in the case of purchases below par, and any premium paid is written off at the time of purchase.

Investments in obligations of the United States provide the banks with a diversification of assets, an important factor in enabling the banks to obtain loan funds through the investment markets at reasonable cost for the benefit of agriculture. They also provide the banks with liquid assets, which can be utilized in emergencies to provide funds to finance lending operations or to meet maturing debentures. In addition, investment securities constitute a source of income which aids the banks materially in building up reserves.

*Liabilities.*—The principal liabilities of the banks consist of their outstanding debentures and notes payable, and interest accrued thereon but not yet due. At June 30, 1945, the banks had outstanding debentures and notes payable aggregating \$272,975,000, and estimated the amount outstanding would be \$298,483,000 and \$331,336,000 at the end of 1946 and 1947, respectively. Interest accrued but unpaid amounted to \$944,022 on June 30, 1945, and was estimated at \$973,746 and \$1,006,793 at June 30, 1946 and 1947, respectively.

*Return of capital funds to the Treasury.*—No return of Government capital (12 U. S. C. 1061) is provided for in 1947. To reduce the existing capital of \$60,000,000 would weaken the system and impair the ability of the banks to meet the credit needs of farmers and stockmen, who are expected to require increasing amounts of credit during the next few years. The capital structure of the intermediate credit banks is considered adequate to enable the banks to carry out their authorized functions and to finance the volume of business expected to be offered to them through June 30, 1947, and it is not expected that they will call upon the Treasury for any portion of the \$40,000,000 held in the revolving fund, unless unforeseeable demands for credit or other problems should make such action necessary to enable the banks to serve agriculture.

*Borrowing authority.*—The aggregate amount of debentures and other similar obligations which any Federal

intermediate credit bank may have outstanding may not exceed 10 times the surplus and paid-in capital of such bank (12 U. S. C. 1041). Since the banks, on June 30, 1945, had paid-in capital and unimpaired surplus reserves aggregating \$91,197,300, they had a legal borrowing capacity of \$911,973,000. Any increase in net worth since that date increases the legal borrowing power of the banks. Accordingly, no additional borrowing authority is needed. Although authority is provided to incur obligations in the ratio of 10 to 1 against capital and surplus, the banks have no assurance that the investment markets would absorb their debentures in an amount approaching their legal borrowing capacity. Should the banks find it necessary to borrow materially in excess of a 4-to-1 ratio, some buyer resistance might be expected and it would be likely that interest costs would advance.

#### ADMINISTRATIVE EXPENSES

Administrative expenses, which are paid out of income and not from appropriated funds, amount to \$1,549,337 for the fiscal year ended June 30, 1945, and are estimated at \$1,662,039 and \$1,688,501 for 1946 and 1947, respectively. The estimated increases in cost for the fiscal year 1947 over 1946 reflect principally increases in personal services attributable largely to the estimated increased manpower needs of the banks. Whereas they expended 299 man-years in their operations for the fiscal year ended June 30, 1945, their requirements are estimated at 302 man-years for 1946 and slightly over 310 man-years for 1947. Additional personnel is made necessary, in part, by the shortening of the workweek from 48 hours to 40 hours. In addition, much of the field work formerly carried on by the banks in order to keep in touch with and properly service their outstanding loans and discounts was deferred during the war emergency, in part because of the lack of sufficient manpower and, in part, because of travel restrictions. The favorable crop and livestock yields throughout most of the United States and the ready marketability of farm products at good prices operated to reduce materially the credit risks which otherwise would have been involved and which would have necessitated closer supervision. A gradual strengthening of the credit work in the banks will be necessary to guard against undue credit risks in the event less favorable conditions should develop, in order that the banks may be able to continue rendering effective credit service to agriculture under all conditions.

The estimate of \$1,688,501 for the fiscal year 1947 does not provide for the cost of General Accounting Office audits, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

#### LANGUAGE

*The types of programs set forth in the 1947 budget of the Federal Intermediate Credit Banks (12 U. S. C. 1021), within the funds available to them, are approved. (Act of Dec. 6, 1945, Public Law 248.)*

**EXHIBIT A**  
**COMPARATIVE CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
<b>To make loans and discounts:</b>			
Crop, livestock, and commodity loans and discounts:			
Banks for cooperatives <sup>1</sup> .....	\$97,292,171	\$103,285,103	\$117,061,440
Production credit associations and other agricultural credit corporations <sup>1</sup> .....	714,706,886	739,634,617	775,924,440
Cooperative associations.....	2,737,092	4,589,586	4,480,000
Loans secured by Commodity Credit Corporation documents.....	58,907,719	30,665,448	42,139,236
	\$873,643,868	\$878,174,754	\$939,605,116
<b>To repayments of borrowings:</b>			
To Federal land banks.....	4,750,000	1,000,000	-----
To the public.....	413,325,000	468,727,000	602,112,000
	418,075,000	469,727,000	602,112,000
<b>To operating expenses:</b>			
Interest and other costs on debentures.....	2,760,587	2,760,473	2,950,736
Other interest expense.....	4,237	6,444	4,650
Compensation for services of banks for cooperatives.....	81,011	89,965	101,048
Administrative expenses (see schedule B-1).....	1,549,337	1,662,039	1,688,501
Expense credits and prior year adjustments.....	*43,029	*14,603	-----
	4,352,143	4,504,318	4,744,935
<b>To investment in U. S. Government securities.....</b>	30,186,305	27,572,418	20,000,000
<b>To premium written off on securities purchased.....</b>	142,906	185,459	-----
	30,329,211	27,757,877	20,000,000
<b>To franchise tax payable.....</b>	305,797	268,685	236,245
<b>To net increase in land, structures, and equipment.....</b>	-----	1,274	5,441
Less net increase in reserve included in administrative expense.....	-----	1,274	5,441
<b>To net decrease in other liabilities.....</b>	-----	-----	167,767
<b>To increase (or decrease*) working capital (see schedule A-1).....</b>	*5,780,467	6,547,321	*316,503
<b>Total funds applied.....</b>	1,320,925,552	1,387,147,722	1,566,381,793
<b>FUNDS PROVIDED</b>			
<b>By repayments of principal of loans and discounts:</b>			
Crop, livestock, and commodity loans and discounts:			
Banks for cooperatives <sup>1</sup> .....	100,806,480	99,111,962	114,079,372
Production credit associations and other agricultural credit corporations <sup>1</sup> .....	719,995,153	725,183,925	745,762,461
Cooperative associations.....	2,293,027	4,511,508	4,124,400
Loans secured by Commodity Credit Corporation documents.....	55,745,531	36,104,168	41,480,969
Purchase money mortgages and real estate sales contracts (net).....	26,934	1,250	1,250
	878,867,125	864,912,813	905,448,452
<b>By borrowings:</b>			
From Federal land banks.....	5,750,000	-----	-----
From the public.....	400,260,000	495,235,000	634,965,000
	406,010,000	495,235,000	634,965,000
<b>By operating income:</b>			
Interest on loans and discounts.....	4,525,075	4,620,972	4,918,635
Interest on investments.....	859,411	977,113	1,039,019
Other interest income.....	5,724	22,913	4,542
	5,390,210	5,620,998	5,962,196
<b>By nonoperating income:</b>			
Discount on securities purchased (amortized).....	5,833	1,089	-----
Other income.....	8,696	7,886	5,800
Recoveries on assets charged off.....	10,067	498	300
	24,596	9,473	6,100
<b>By sale of investments in U. S. Government securities:</b>			
Book value of securities sold.....	29,675,305	20,932,618	20,000,000
Gain on securities sold.....	712,891	436,132	-----
	30,388,196	21,368,750	20,000,000
<b>By net decrease in land, structures, and equipment.....</b>	19,998	-----	-----
Less net decrease in reserve included in administrative expenses.....	12,128	-----	-----
	7,870	-----	-----
<b>By net decrease in other assets.....</b>	5,933	688	-----
<b>By net increase in other liabilities.....</b>	231,622	-----	45
<b>Total funds provided.....</b>	1,320,925,552	1,387,147,722	1,466,381,793

\*Deduct.

<sup>1</sup> Exclusive of activity in connection with loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

## FEDERAL INTERMEDIATE CREDIT BANKS

**EXHIBIT B**  
**COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Interest on loans and discounts.....	\$4,525,075	\$4,620,972	\$4,918,635
Interest on investments.....	859,411	977,113	1,039,019
Other interest income.....	5,724	22,913	4,542
Total operating income.....	\$5,390,210	\$5,620,998	\$5,962,196
<b>Operating expenses:</b>			
Interest and other costs on debentures.....	2,760,587	2,760,473	2,950,736
Other interest expense.....	4,237	6,444	4,650
Compensation for services of banks for cooperatives.....	81,011	89,965	101,048
Administrative expenses (see schedule B-1).....	1,549,337	1,662,039	1,688,501
Expense credits and prior year adjustments.....	*43,029	*14,603	
Total operating expenses.....	4,352,143	4,504,318	4,744,935
Net operating income.....	1,038,067	1,116,680	1,217,261
<b>Nonoperating income and expenses*:</b>			
Recoveries on assets charged off.....	10,067	498	300
Gain on securities sold.....	712,891	436,132	
Discount on securities purchased (amortized).....	5,833	1,089	
Premium written off on securities purchased.....	*142,906	*185,459	
Other income.....	8,696	7,886	5,800
Net nonoperating income.....	594,581	260,146	6,100
Net income before adjustment of valuation reserves.....	1,632,648	1,376,826	1,223,361
<b>Adjustment of valuation reserves</b> .....	40,539	16,840	6,648
Net income for year.....	1,673,187	1,393,666	1,230,009

**ANALYSIS OF UNRESERVED SURPLUS**

Balance at beginning of fiscal year.....	\$21,504,874	\$22,422,264	\$23,232,245
Net income for the year (above).....	\$1,673,187	\$1,393,666	\$1,230,009
Adjustments for the year:			
Franchise tax.....	*305,797	*268,685	*236,245
Reserve for contingencies.....	*450,000	*315,000	*285,000
Net change for the year.....	917,390	809,981	708,764
Balance at end of fiscal year.....	22,422,264	23,232,245	23,941,009

\*Deduct.

## EXHIBIT C

## COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
<b>ASSETS</b>				
<b>Cash:</b>				
With U. S. Treasury.....	\$1,758,759	\$25,582	\$1,275,000	\$250,000
On hand and in banks.....	15,282,000	11,206,401	16,364,347	16,992,634
Trust funds in banks.....	347,440	236,403	205,077	205,077
<b>Total</b> .....	17,388,199	11,468,386	17,844,424	17,447,711
<b>Investments: U. S. Government securities</b> .....	36,000,000	36,511,000	43,150,800	43,150,800
<b>Loans and discounts:</b>				
<b>Crop, livestock, and commodity loans and discounts:</b>				
Banks for cooperatives <sup>1</sup> .....	16,889,252	13,374,943	17,548,084	20,530,152
Production credit associations and other agricultural credit corporations <sup>1</sup> .....	295,514,487	290,226,220	304,676,912	334,838,891
Cooperative associations.....	400,000	844,065	922,143	1,277,743
Loans secured by Commodity Credit Corporation documents.....	8,222,170	11,384,358	5,945,638	6,603,905
Purchase money mortgages and real estate sales contracts.....	37,884	10,950	9,700	8,450
<b>Total</b> .....	321,063,793	315,840,536	329,102,477	363,259,141
Less reserve on purchase money mortgages and real estate sales contracts.....	37,884	10,950	9,700	8,450
<b>Net</b> .....	321,025,909	315,829,586	329,092,777	363,250,691
<b>Accounts and notes receivable</b> .....	114,870	224,310	245,677	238,279
Less reserve on notes receivable.....	26,758	21,456	5,804	406
<b>Net</b> .....	88,112	202,854	239,873	237,873
<b>Accrued interest receivable:</b>				
On U. S. Government securities.....	166,107	194,286	146,893	147,114
On loans and discounts:				
Banks for cooperatives.....	66,172	101,321	107,136	112,369
Other.....	1,780,595	1,692,104	1,846,794	1,926,850
Other accrued interest.....	186	1,020	574	807
<b>Total</b> .....	2,013,060	1,988,731	2,101,397	2,187,140
<b>Land, structures, and equipment</b> .....	421,022	401,024	402,298	407,739
Less reserve.....	421,022	401,024	402,298	407,739
<b>Net</b> .....				
<b>Acquired security or collateral:</b>				
Real estate.....	642	642	642	642
Less reserve.....	642	642	642	642
<b>Net</b> .....				
<b>Deferred charges</b> .....	211,171	198,979	219,195	223,651
<b>Other assets:</b>				
Imprest funds.....	57,421	51,921	51,171	51,171
Miscellaneous assets.....	497	64	126	126
<b>Total</b> .....	57,918	51,985	51,297	51,297
Less reserve on miscellaneous assets.....	497	64	126	126
<b>Net</b> .....	57,421	51,921	51,171	51,171
<b>Total assets</b> .....	376,783,872	366,251,457	392,699,637	426,549,037
<b>LIABILITIES</b>				
<b>Accounts payable:</b>				
U. S. Treasury, franchise tax.....	231,011	305,797	268,685	236,245
Other.....	8,284	127,163	124,754	124,854
<b>Total</b> .....	239,295	432,960	393,439	361,099
<b>Accrued liabilities:</b>				
<b>Accrued interest on debentures and notes payable:</b>				
Debentures.....	1,073,088	941,767	973,529	1,006,523
Notes payable.....		2,255	217	270
Accrued compensation for services, banks for cooperatives.....	15,036	11,687	13,783	14,670
Accrued salaries.....			30,521	24,431
<b>Total</b> .....	1,088,124	955,709	1,018,050	1,045,894

<sup>1</sup> Exclusive of loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

## FEDERAL INTERMEDIATE CREDIT BANKS

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EXHIBIT C—Continued  
COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION—Continued

[As of June 30, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
<b>LIABILITIES—Continued</b>				
<b>Trust and deposit liabilities:</b>				
U. S. Treasury, Federal taxes withheld.....	\$5,415	\$4,344	\$4,772	\$4,772
Production credit associations.....	19,281	42,134	22,643	22,643
Liability for cash collateral.....	347,440	236,403	205,077	205,077
Other trust accounts.....	6,766	8,031	7,988	7,968
Total.....	378,902	290,912	240,460	240,460
<b>Debentures and notes payable:</b>				
Unmatured debentures outstanding.....	285,040,000	265,475,000	297,733,000	330,336,000
Notes payable.....		7,500,000	750,000	1,000,000
Total.....	285,040,000	272,975,000	298,483,000	331,336,000
Deferred credits.....	55,048	46,622	52,561	54,648
Undistributed credits.....	41,802	10,551	15,200	20,200
Other liabilities.....	110,827	342,449	174,682	174,727
Total liabilities.....	286,953,998	275,054,193	300,377,392	333,233,028
<b>CAPITAL</b>				
Paid-in capital: Capital stock, U. S. Government.....	60,000,000	60,000,000	60,000,000	60,000,000
<b>Earned surplus:</b>				
Reserve for contingencies.....	8,325,000	8,775,000	9,080,000	9,375,000
Unreserved surplus.....	21,604,874	22,422,264	23,232,245	23,941,009
Total.....	29,829,874	31,197,264	32,322,245	33,316,009
Total capital.....	89,829,874	91,197,264	92,322,245	93,316,009
Total liabilities and capital.....	376,783,872	366,251,457	392,699,637	426,549,037

SCHEDULE A-1  
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (increase or decrease*):</b>			
<b>Cash:</b>			
With U. S. Treasury.....	*\$1,733,177	\$1,249,418	*\$1,025,000
On hand and in banks.....	*4,075,599	5,157,946	628,287
Trust funds in banks.....	*111,037	*31,326	
Accounts and notes receivable.....	109,440	21,387	*7,398
<b>Accrued interest receivable:</b>			
On U. S. Government securities.....	28,179	*47,393	221
<b>On loans and discounts:</b>			
Banks for cooperatives.....	35,149	5,815	5,233
Other.....	*88,491	154,890	80,056
Other accrued interest.....	834	*446	233
Deferred charges.....	*12,192	20,216	4,456
<b>Current liabilities (increase* or decrease):</b>			
<b>Accounts payable:</b>			
U. S. Treasury, franchise tax.....	*74,786	37,112	32,440
Other.....	*118,869	2,399	*100
<b>Accrued liabilities:</b>			
<b>Accrued interest on debentures and notes payable:</b>			
Debentures.....	131,321	*31,762	*32,994
Notes payable.....	*2,255	2,038	*53
Accrued compensation for services, banks for cooperatives.....	3,349	*2,096	*887
Accrued salaries.....		*30,521	6,090
<b>Trust and deposit liabilities:</b>			
U. S. Treasury, Federal taxes withheld.....	1,071	*428	
Production credit associations.....	*22,853	19,491	
Liability for cash collateral.....	111,037	31,326	
Other trust accounts.....	*1,265	63	
Deferred credits.....	8,426	*5,939	*2,087
Undistributed credits.....	31,251	*4,649	*5,000
Increase in working capital.....		6,547,321	
Decrease in working capital.....	5,780,467		316,503

\*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual		1946, estimated		1947, estimated	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
Salaries and wages:						
Directors' compensation.....		\$15,680		\$17,343		\$17,425
Officers:						
President.....	12	118,500	12	128,522	12	125,275
Executive vice president.....	1	9,000	1.9	18,302	1	9,800
Vice president.....	3.8	30,162	4.4	31,793	4.4	32,305
Vice president and secretary.....	5.5	37,982	5	39,353	5	39,288
Vice president and treasurer.....	5.6	39,892	5.7	43,124	6	45,528
Treasurer.....	3.6	19,387	5	29,737	5	30,100
Secretary and treasurer.....	1.9	9,700	1	6,230	1	6,440
Secretary.....	5.6	25,730	5.8	35,316	6	37,707
Employees:						
Administrative and general.....	73.9	139,137	72.5	155,629	74.7	165,139
Credit analysis.....	81	231,699	81.1	272,347	85.2	290,334
Accounting and fiscal.....	104.9	192,703	107.6	233,410	111.1	248,618
Overtime compensation.....		135,186		18,371		
Total.....	298.8	1,004,758	302	1,029,477	311.4	1,047,959
Travel.....		27,406		34,392		35,628
Rents and utility services.....		95,623		104,780		106,401
Communication services.....		10,401		12,761		12,820
Printing, binding, and office supplies.....		15,262		19,425		20,878
Equipment expense.....		3,063		17,991		28,045
General agent's expense.....		120,280		126,504		127,321
Insurance and fidelity bond premiums.....		8,697		8,215		6,102
Miscellaneous.....		16,967		21,117		20,735
Subtotal.....		1,302,437		1,374,662		1,405,889
Payments for services received:						
Farm Credit Administration:						
Farm Credit Administration, supervisory expense.....		210,000		244,977		245,712
Examination expense, bank.....		36,900		41,500		36,900
Examination expense, other.....				900		
Total administrative expenses <sup>1</sup> .....		1,549,337		1,662,039		1,688,501

<sup>1</sup> Does not provide for General Accounting Office audit assessment, for which no estimate is available.

SCHEDULE B-2

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

PERSONAL SERVICES, FIELD	1945, actual		1946, estimated		1947, estimated	
	Man-years	Amount	Man-years	Amount	Man-years	Amount
Unclassified:						
Rate over \$5,200:						
President.....	12	\$118,500	12	\$128,522	12	\$125,275
Executive vice president.....	1	9,000	1.9	18,302	1	9,800
Vice president.....	3.8	30,162	4.4	31,793	4.4	32,305
Vice president and secretary.....	4.5	31,482	5	39,353	5	39,288
Vice president and treasurer.....	5.6	39,892	5.7	43,124	6	45,528
Treasurer.....	3.6	19,387	5	29,737	5	30,100
Secretary.....	5.6	32,230	5.8	35,316	6	37,707
Secretary and treasurer.....	1.9	9,700	1	6,230	1	6,440
Assistant to the president.....	1	5,600	1	6,200	1	6,440
Assistant secretary and treasurer.....					1	5,250
Assistant secretary.....			0.5	2,695	1	5,390
Assistant treasurer.....			0.8	4,032		
Assistant secretary and assistant treasurer.....						
Attorney.....	0.8	4,361	0.8	4,977	0.8	5,143
Senior attorney.....			0.3	1,914	0.3	1,914
Assistant general counsel.....	0.3	1,584	0.3	1,814	0.3	1,814
Rate of \$5,200:						
Accountant.....			0.7	2,968	2	9,480
Assistant secretary.....			1	4,608	1	4,608
Assistant secretary and assistant treasurer.....	0.5	2,400	3	14,854	3	14,748
Assistant treasurer.....			3	14,154	3	14,154
Attorney.....	0.3	1,524	0.7	3,210	0.7	3,210
Credit examiner.....			3	14,616	5	23,964
Vice president.....	0.1	480				
Rate of \$4,600:						
Accountant.....	2	8,040	3.8	16,392	3	12,636
Assistant secretary.....	2	8,450	2	8,688	2	8,688
Assistant secretary and assistant treasurer.....	3	12,840	1	4,542		
Assistant treasurer.....	4	16,064	0.8	3,620	1	4,344
Attorney.....	0.5	1,829			0.2	816
Credit examiner.....	4	17,040	19.4	81,734	20	83,636
Rate of \$4,000:						
Accountant.....	2.5	8,954	6.6	23,852	9	32,562
Assistant secretary.....	2	7,500				
Assistant secretary and assistant treasurer.....	1	3,570				
Assistant treasurer.....			0.2	647		
Attorney.....	1.3	4,589	1.8	6,334	1.7	6,916
Credit examiner.....	24	87,914	11.7	43,731	11	40,194
Rate of \$3,400.....	20.9	63,156	18.7	58,767	23.2	73,128
Rate of \$2,800.....	18.3	45,258	44.2	103,232	44.2	108,051
Rate of \$2,200.....	22.5	45,157	41.7	83,927	40.5	83,490
Rate of \$1,900.....	46.4	80,476	43.8	76,329	44.6	78,040
Rate of \$1,600.....	61.0	88,900	37.1	54,355	40	58,467
Rate of \$1,300.....	29.1	34,466	6.8	8,594	5	6,408
Rate of \$1,100.....	10.4	10,813	1	900	1	900
Total permanent, field.....	296.8	851,318	296.5	984,063	305.9	1,020,834
Temporary employment, field.....	2	2,574	5.5	9,700	5.5	9,700
Overtime pay, field.....		135,186		18,371		
Director's compensation.....		15,680		17,343		17,425
Personal services (net) (schedule B-1).....	298.8	1,004,758	302	1,029,477	311.4	1,047,959

## FEDERAL INTERMEDIATE CREDIT BANKS

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## SCHEDULE C-1

## POSITION OF BANKS WITH RESPECT TO BORROWING AUTHORITY

[As of June 30, 1945, 1946, and 1947]

	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
<b>Unmatured debentures:</b>			
Outstanding at beginning of year.....	\$285,040,000	\$265,475,000	\$297,733,000
Issued during year.....	395,750,000	472,635,000	616,465,000
Total.....	680,790,000	738,110,000	914,198,000
Retired during year.....	415,315,000	440,377,000	583,862,000
Outstanding at end of year.....	265,475,000	297,733,000	330,336,000
<b>Notes payable:</b>			
Outstanding at beginning of year.....		7,500,000	750,000
Borrowings during year.....	10,260,000	22,600,000	18,500,000
Total.....	10,260,000	30,100,000	19,250,000
Repayments during year.....	2,760,000	29,350,000	18,250,000
Outstanding at end of year.....	7,500,000	750,000	1,000,000
Total outstanding debentures and notes payable.....	272,975,000	298,483,000	331,336,000
<b>Memorandum:</b>			
Maximum balance of obligations outstanding during year:			
Unmatured debentures.....	316,795,000	312,203,000	345,241,000
Notes payable.....	3,500,000	1,750,000	2,000,000
Total obligations.....	320,295,000	313,953,000	347,241,000
Borrowing authority.....	911,973,000	923,222,000	933,160,000
Additional borrowing authority required.....			

## SCHEDULE C-2

## STATUS OF LOANS AND DISCOUNTS

[As of June 30, 1944, and 1945]

	June 30, 1944		June 30, 1945	
	Number <sup>1</sup>	Amount	Number <sup>1</sup>	Amount
<b>Crop, livestock, and commodity loans and discounts:</b>				
Banks for cooperatives: <sup>2</sup>				
Current.....		\$16,889,252		\$13,299,943
Delinquent: Less than 3 months.....				75,000
Total banks for cooperatives.....	65	16,889,252	35	13,374,943
Production credit associations and other agricultural credit corporations: <sup>2</sup>				
Current.....		292,409,194		286,029,716
Delinquent:				
Less than 3 months.....		3,090,213		4,176,517
3 months and over.....		15,080		19,987
Total agricultural credit corporations.....	180,236	295,514,487	172,335	290,226,220
Cooperative associations:				
Current.....		400,000		842,100
Delinquent: Less than 3 months.....				1,965
Total cooperative associations.....	1	400,000	1	844,065
Loans secured by Commodity Credit Corporation documents: Current.....		8,222,170		11,384,358
Total loans secured by Commodity Credit Corporation documents.....	122	8,222,170	113	11,384,358
Purchase money mortgages and real estate sales contracts:				
Current.....		36,950		10,950
Delinquent: 3 months and over.....		934		
Total purchase money mortgages and real estate sales contracts.....	9	37,884	3	10,950
Total loans and discounts.....	180,433	321,063,793	172,487	315,840,536

<sup>1</sup> Represents estimated number of borrowers.<sup>2</sup> Exclusive of loans secured by documents under Commodity Credit Corporation loan and commodity purchase programs.

## SCHEDULE D-1

## REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in Federal intermediate credit banks, payments on subscriptions to capital stock:			
Prior year balance available in 1945.....	-\$40,000,000		
1945 balance available in 1946.....	+40,000,000	-\$40,000,000	
1946 balance available in 1947.....		+40,000,000	-\$40,000,000
1947 balance available in 1948.....			+40,000,000
Total estimate or appropriation.....			

## PRODUCTION CREDIT CORPORATIONS

### CREATION AND PURPOSE

The 12 production credit corporations were chartered in 1933 by the Governor of the Farm Credit Administration pursuant to the Farm Credit Act of 1933 (12 U. S. C. 1131). Establishment of the production credit system was an outgrowth of various efforts to cure long-standing weaknesses in the short-term agricultural credit field. Experience had shown that insufficient capital, inadequate supervision, and the dependence on local resources generally for loanable funds for agricultural production were the chief weaknesses. These corporations each serve one farm credit district (12 U. S. C. 640a and 1131).

In each district the Farm Credit Board elected or appointed as prescribed by law (12 U. S. C. 640b—640r) serves as the board of directors of the corporation (12 U. S. C. 1131). A typical production credit corporation has a staff of about 20 officers, clerical employees, and field force. In addition, the general agent employed by the district board together with a limited staff generally furnishes at cost legal, information, personnel, statistical, and purchasing services for the corporations (12 U. S. C. 640r(a)).

The Farm Credit Administration, through the Production Credit Division, exercises general supervision over the corporations (12 U. S. C. 1131 et seq.). The corporations are examined annually by the Farm Credit Administration (12 U. S. C. 1138a) and are assessed for the costs of both supervision and examination (12 U. S. C. 832 and 1138a). The Farm Credit Administration was placed within the Department of Agriculture pursuant to reorganization plan No. 1, section 401, effective July 1, 1939.

The principal functions of these corporations are to organize, partially capitalize, and supervise local cooperative production credit associations (12 U. S. C. 1131c, 1131d et seq.). The active associations, of which there were 514 on June 30, 1945, together with the 12 corporations operating under the supervision of the Farm Credit Administration constitute a permanent system for making short-term agricultural loans to farmers and stockmen in all parts of the country.

### FINANCIAL ORGANIZATION

The Farm Credit Act of 1933 provides that the capital stock of each corporation shall be in such amount as the Governor, Farm Credit Administration, determines is required to meet the credit needs of the district to be served by each such corporation and such amount may be increased or decreased from time to time by the Governor in accordance with such credit needs (12 U. S. C. 1131b). The initial capital stock of each corporation was provided in the sum of \$7,500,000 to be subscribed by the Governor and held by him on behalf of the United States. Payment for capital stock was made from a revolving fund of \$120,000,000 provided for the purpose (12 U. S. C. 1131i). Additions to the initial capital stock were made by the Governor until March 1935, when the full \$120,000,000 had been subscribed and subscriptions in that sum were maintained for most of the period from that time to March

1944. During that period a general redistribution of capital stock was made on three occasions while transfers affecting several corporations were made on two occasions; however, at no time was the stock of any of the corporations reduced to less than the prescribed \$7,500,000.

Pursuant to the policy of retiring the capital stock of corporations to the extent feasible, repayments were made to the revolving fund in the U. S. Treasury in the sum of \$5,000,000 in April 1944 and \$6,700,000 in April 1945. Thus, on June 30, 1945, the aggregate paid-in capital of the corporations was \$108,300,000.

The law provides that each corporation shall accumulate a surplus of at least 25 percent of its paid-in capital (12 U. S. C. 1131c (c)), and good progress has been made. On June 30, 1945, the surplus for all the corporations aggregated \$12,716,436 or 11.7 percent of their paid-in capital. This surplus not only safeguards the paid-in capital against impairment but directly influences the amount of paid-in capital required.

The corporations have never borrowed and have no specific borrowing authority. Each of the corporations is a separate entity and operates within its own financial structure. A comparative consolidated statement of condition is shown in exhibit C.

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

The extent of the corporations' activities is affected directly by economic conditions, and the production credit associations' loan volume, and their credit, management, and operating problems. Certain assumptions have been made regarding these major factors in connection with the preparation of the estimates for the fiscal year 1947 and these are discussed below with regard to the programs for that year. Further information as to the extent to which these activities were carried on during the fiscal year 1945 with projections for the fiscal years 1946 and 1947 is shown in the consolidated statement of sources and application of funds (exhibit A).

*Organizing production credit associations.*—Pursuant to the authority of the act (12 U. S. C. 1131c and 1131d) production credit associations have been established to serve all of the continental United States and Puerto Rico. The territory served by an individual association depends largely upon the type of agriculture and density of farm population. A typical association serves about five or six counties.

The credit needs of the area served by each association are under constant study by the corporations. As a result, it is from time to time found advisable by the corporations and associations to effect changes in the territory served by individual associations, to bring about liquidation or consolidation of associations, to establish branch offices of associations so that service will be more convenient, and occasionally to organize additional associations. Assuming no major changes in economic conditions, it is anticipated that organizational adjustments in 1946 and 1947 will be about the same as in the past few years.

*Capitalizing production credit associations.*—Associations need an adequate capital structure to soundly support

their loan volume, to maintain satisfactory borrowing and discount relationships with the Federal intermediate credit banks which is their principal source of loanable funds (12 U. S. C. 1131h), and to assist in building reserves for future contingencies. Accordingly, the capital needs vary greatly between associations.

The associations' initial capital was derived through the purchase of their class A stock by the corporations (12 U. S. C. 1131c). As the capital owned by farmer members increased and the associations accumulated reserves, they have been able to reduce materially, and in two instances to pay off completely, the class A stock investment of the corporations.

It is anticipated that there will be an increase in the volume of loans to be made by the associations in 1947. Even though agricultural conditions are expected to remain fairly stable, it is anticipated that the margin of net farm income will be narrower in 1947 than during the war years. It is believed that the desire of farmer members to achieve ownership of their associations will continue to grow and that the farmer-owned capital and the reserves of the associations will continue to increase. Special situations may require increases in the corporations' investments in some associations. It is anticipated, however, that during 1946 and 1947 the associations as a group will be able to make further net reductions in the corporations' class A stock investments.

Complete farmer ownership of the associations is a major objective. Long-term stability nevertheless requires that the corporations be able to make immediate additional capital investments in associations as necessary to meet the credit needs of the areas. Such action may be imperative in the event of depressed economic conditions, hurricanes, floods, or other catastrophes; otherwise, farmers and stockmen served by the associations might have to be denied sound and justifiable credit necessary for their operations at a most critical time.

The corporations are charged with the responsibility of regulating associations' investments (12 U. S. C. 1131f and g) and it is considered important to the welfare of the associations that their capital structure should not be affected by fluctuations in bond prices. Association class A stock purchased by the corporations is paid for largely by transferring bonds from the corporations to the associations. As farmer-owned capital and reserves have accumulated additional funds have become available for investment in bonds in like manner. All bonds transferred to associations by the corporations are transferred at par value under repurchase agreements and are subject to the right and obligation of the corporations to repurchase at par value. Thus premiums or discounts on bonds purchased or sold are borne by or accrue to the corporations.

*Supervising production credit associations.*—Under the act (12 U. S. C. 1131d et seq.) and regulations thereunder, the corporations are charged with supervision of the associations. Thus the corporations have broad authorities, such as regulating loan and investment policies, approving loans in excess of certain amounts or to certain officials, fixing reserve requirements, exercising controls over association salaries, and, as long as the corporations own stock in the associations, approving election of association directors, loan committeemen, and the secretary-treasurers. As an association's management gains in experience and as the locally owned capital structure develops, the corporations exercise their authorities and supervisory responsibilities to an increasing extent through leadership,

guidance, counsel, and training rather than by direction and regulation. This policy of decentralization makes it essential that the association personnel be sufficiently experienced and trained to assume increased responsibilities. Officers and field representatives of the corporations work with association directors and personnel largely through contacts at the association offices and occasional group meetings for neighboring associations. The degree of training and supervision varies between associations, depending upon their need for such assistance in properly discharging their responsibilities for carrying on all phases of the association operations.

In carrying out their supervisory responsibilities, the corporations have placed emphasis on the extension of sound credit; continual improvement of service to farmers; increased participation in association affairs by members; maintenance of good relations with units of the Farm Credit Administration and other agencies working with farmers; promotion of efficiency and economy; maintenance of effective controls over financial transactions; determination through audits that funds are properly accounted for; and preparation of annual business type budgets.

A broad and continuous training program for association personnel has been considered to be of major importance. The corporations have assumed primary responsibility for the training of association directors and key officers, and have assisted the associations in the training of specialized employees such as inspectors and bookkeepers and in arranging for adequate training programs by the associations for their other personnel.

The corporations make an annual review of the credit activities of each association which serves as a basis for the credit supervision during the whole year. This includes an examination of loans which has been utilized by the Farm Credit Administration, together with the financial examination made by its examiners, to meet the requirements of law pertaining to examinations of associations (12 U. S. C. 1138a). In view of this use of the credit examinations, arrangements have been made effective January 1, 1946, to assess the associations for the costs attributable thereto as a part of examination costs.

In order to conserve manpower and restrict travel during the war in accord with national policy, many important activities were curtailed or temporarily discontinued. In 1947, training, management and procedure surveys, and reviews and audits of financial transactions, particularly, must be intensified or revived and special supervisory attention given to associations to hasten their further development, to permit further decentralization, to improve service to farmers, and to speed the trend toward farmer ownership.

#### OPERATING RESULTS

The principal source of operating income of the corporations is from their investments in U. S. Government securities. An increasing number of associations pay dividends regularly and, accordingly, some dividends are received by the corporations on their class A stock investments. This has not been a major source of revenue, inasmuch as it is the policy to reduce the corporations' class A stock investments as rapidly as the associations are able to do so. During the fiscal year 1945, the combined operating income of the corporations exceeded their administrative expenses by \$104,440 and it is anticipated

that the combined operating income of the corporations will be sufficient to cover their administrative expenses for the fiscal years 1946 and 1947.

In addition to operating income, during the fiscal year 1945 a net profit of \$4,847,830 was realized on security transactions largely as a result of bond portfolio adjustments whereby substantial holdings were sold and the proceeds simultaneously reinvested in other bonds. It is anticipated that the net profit on securities transactions will be somewhat smaller in 1946 and considerably smaller in 1947, since no major adjustments in the bond portfolio are now anticipated during 1947.

In the fiscal year 1945 a loss of \$125,764 resulting from corporation investment in class A stock of one association was charged off as liquidation was completed; however, valuation reserves previously established were ample to absorb the loss. Valuation reserves which had been established prior to June 30, 1945, are expected to be adequate to cover similar losses estimated at \$99,400 in 1947 upon closing the liquidation of other associations.

#### FINANCIAL CONDITION

*Investments in class A stock of production credit associations.*—On June 30, 1945, the corporations had an investment totaling \$55,847,685 in the class A capital stock of associations. This includes \$147,600, representing the balances of their investments in class A stock of four associations which had been placed in liquidation prior to 1940, valuation reserves, however, having been established prior to June 30, 1945, to provide for all foreseeable losses. The investment in class A stock is expected to be further reduced by June 30, 1947.

*U. S. Government securities.*—The corporations' investments in U. S. Government securities amounted to \$64,233,250 par value on June 30, 1945 (exclusive of securities sold to associations under repurchase agreements). The corporations carry all of these investments at par value; accordingly, premiums paid were written off at time of purchase.

The corporations require resources substantially in excess of the amount currently invested in association class A stock to quickly meet developments in the agricultural credit field which would require strengthening of

association capital structures. Resources not needed currently for class A stock investments in associations are invested in bonds, the interest from which represents the corporations' principal source of operating income.

*Return of capital funds to the Treasury.*—Repayments to the revolving fund during 1944 and 1945 had reduced paid-in capital of the corporations from \$120,000,000 to \$108,300,000 at June 30, 1945. Further repayments will depend upon future capital needs of the system but it is presently estimated that it will be possible to return an aggregate amount of \$7,050,000 during 1946 and \$5,300,000 during 1947.

#### ADMINISTRATIVE EXPENSES

Administrative expenses cover the costs of carrying out the corporations' responsibilities, including the assessed expenses of the central office of the Farm Credit Administration but excluding premiums written off on securities purchased and losses. During the fiscal year 1945 the corporations utilized 222.3 man-years of personal service which with other related costs of administration resulted in a total expenditure of \$1,564,568. The increase of \$80,344 anticipated in 1946 is largely the result of higher salaries consistent with Public Law 106 (79th Cong.), some increase, particularly during the latter part of the year, in personnel, travel, replenishment of supplies and equipment, and other higher costs due to the general increase in price levels. In the fiscal year 1947, a further increase of \$92,081 will be needed in order to give necessary attention to activities postponed during the war. Largely because of decentralization, which has occurred in the intervening years, the required personnel in 1947 will be about 20 percent lower than in the immediate prewar years. Total administrative expenses of the 12 production credit corporations for the fiscal year 1947 are estimated at \$1,736,993. This estimate does not provide for the cost of General Accounting Office audits, pursuant to Public Law 248 (79th Cong.), since bases for making such an estimate are not available.

#### LANGUAGE

*The types of programs set forth in the 1947 budget of the Production Credit Corporations (12 U. S. C. 1131), within the funds available to them, are approved. (Act of Dec. 6, 1945, Public Law 248.)*

## EXHIBIT A

## COMPARATIVE CONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
<b>To investment in U. S. Government securities:</b>			
Par value of securities purchased in open market.....	\$47,547,500	\$47,278,000	\$2,790,000
Premium on securities purchased.....	265,877	640,000	112,000
Par value of securities repurchased from production credit associations (net).....		3,000,750	2,947,000
	\$47,813,377	\$50,918,750	\$5,849,000
<b>To operating expenses:</b>			
Administrative expenses.....	1,564,568	1,644,912	1,736,993
Expense credits and prior year adjustments.....	*20,598	*16,000	
	1,543,970	1,628,912	1,736,993
<b>To nonoperating expenses</b> .....	5	65	
<b>To repayment of paid-in capital to U. S. Treasury</b> .....	6,700,000	7,050,000	5,300,000
<b>To net increase in land, structures, and equipment</b> .....		4,413	13,923
Less net increase in reserve included in administrative expenses.....		5,344	14,854
		*931	*931
<b>To net increase in other assets</b> .....	40,050		
<b>To net decrease in other liabilities</b> .....	1,957		583
<b>To increase (or decrease*) working capital (see schedule A-1)</b> .....	105,663	*61,924	*16,636
<b>Total funds applied</b> .....	56,205,022	59,534,872	12,869,009
<b>FUNDS PROVIDED</b>			
<b>By retirement of class A stock investment in production credit associations (net)</b> .....	8,321,229	7,943,470	5,735,000
<b>By sale of investments in U. S. Government securities:</b>			
Par value of securities sold in open market.....	40,974,850	46,432,000	4,900,000
Gain on securities sold in open market.....	5,113,707	3,425,000	428,000
Par value of securities sold to production credit associations under repurchase agreement (net).....	141,300		
	46,229,857	49,857,000	5,328,000
<b>By operating income:</b>			
Interest on investments.....	1,594,687	1,684,185	1,730,609
Dividends on class A stock of production credit associations.....	51,816	46,200	26,400
Assessments for credit examination of production credit associations.....		2,400	48,000
Other income.....	1,907	1,000	1,000
	1,648,410	1,733,785	1,806,009
<b>By nonoperating income: Recoveries from class A stock investments charged off</b> .....	565		
<b>By net decrease in land, structures, and equipment</b> .....	5,213		
Less net decrease in reserve included in administrative expenses.....	252		
	4,961		
<b>By net decrease in other assets</b> .....		500	
<b>By net increase in other liabilities</b> .....		117	
<b>Total funds provided</b> .....	56,205,022	59,534,872	12,869,009

\*Deduct.

## PRODUCTION CREDIT CORPORATIONS

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**EXHIBIT B**  
**COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Interest on investments.....	\$1,594,687	\$1,684,185	\$1,730,609
Dividends on class A stock of production credit associations.....	51,816	46,200	26,400
Assessments for credit examinations of production credit associations.....	1,907	2,400	48,000
Other income.....	1,907	1,000	1,000
Total operating income.....	\$1,648,410	\$1,733,785	\$1,806,009
<b>Operating expenses:</b>			
Administrative expenses.....	1,564,568	1,644,912	1,736,993
Expense credits and prior year adjustments.....	*20,598	*16,000	-----
Total operating expenses.....	1,543,970	1,628,912	1,736,993
Net operating income.....	104,440	104,873	69,016
<b>Nonoperating income and expenses:</b>			
Gain on securities sold.....	5,113,707	3,425,000	428,000
Premium written off on securities purchased.....	*265,877	*640,000	*112,000
Class A stock investment in production credit associations charged off.....	*125,764	-----	*99,400
Other losses.....	*5	*65	-----
Net nonoperating income.....	4,722,061	2,784,935	216,600
Net income before adjustment of valuation reserves.....	4,826,501	2,889,808	285,616
<b>Adjustment of valuation reserves</b> .....	143,300	12,800	100,400
Net income for year.....	4,969,801	2,902,608	386,016

## ANALYSIS OF EARNED SURPLUS

Balance at beginning of fiscal year.....	\$7,746,635	\$12,716,436	\$15,619,044
Net income for the year (above).....	4,969,801	2,902,608	386,016
Balance at end of fiscal year.....	12,716,436	15,619,044	16,005,060

\*Deduct.

**EXHIBIT C**  
**COMPARATIVE CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
<b>ASSETS</b>				
<b>Cash:</b>				
With U. S. Treasury.....	\$142,194	\$1,938	\$3,377	\$5,125
On hand and in banks.....	527,596	651,123	580,112	560,966
<b>Total</b> .....	<b>669,790</b>	<b>653,061</b>	<b>583,489</b>	<b>566,091</b>
<b>Investments:</b>				
Production credit associations, class A stock.....	64,295,243	55,847,685	47,904,215	42,069,815
Less reserve for class A stock of production credit associations in liquidation.....	290,500	147,200	134,400	34,000
Net class A stock.....	64,004,743	55,700,485	47,769,815	42,035,815
U. S. Government securities <sup>1</sup> .....	57,801,900	64,233,250	68,080,000	68,917,000
Net.....	121,806,643	119,933,735	115,849,815	110,952,815
<b>Accounts and notes receivable</b> .....	<b>7,875</b>	<b>8,398</b>	<b>3,810</b>	<b>3,326</b>
<b>Accrued interest on U. S. Government securities</b> .....	<b>219,957</b>	<b>233,325</b>	<b>256,424</b>	<b>260,462</b>
<b>Land, structures, and equipment:</b>				
<b>Land, structures, and equipment</b> .....	<b>223,070</b>	<b>217,857</b>	<b>222,270</b>	<b>236,193</b>
Less reserve.....	178,350	178,098	183,442	198,296
Net.....	44,720	39,759	38,828	37,897
<b>Deferred charges</b> .....	<b>98,735</b>	<b>65,567</b>	<b>73,142</b>	<b>73,690</b>
<b>Other assets:</b>				
Imprest funds.....	31,877	28,827	28,327	28,327
Other.....	21,900	65,000	65,000	65,000
<b>Total</b> .....	<b>53,777</b>	<b>93,827</b>	<b>93,327</b>	<b>93,327</b>
<b>Total assets</b> .....	<b>122,901,497</b>	<b>121,027,672</b>	<b>116,898,835</b>	<b>111,987,608</b>
<b>LIABILITIES</b>				
<b>Accounts payable</b> .....	<b>4,341</b>	<b>4,382</b>	<b>2,723</b>	<b>2,798</b>
<b>Trust and deposit liabilities:</b>				
U. S. Treasury, Federal taxes withheld.....	5,208	5,370	5,070	5,015
Production credit associations.....	142,000	---	---	---
Other.....	590	718	565	410
Total.....	147,798	6,088	5,635	5,425
<b>Accrued salaries</b> .....	<b>---</b>	<b>---</b>	<b>20,550</b>	<b>24,025</b>
<b>Other liabilities</b> .....	<b>2,723</b>	<b>766</b>	<b>883</b>	<b>300</b>
<b>Total liabilities</b> .....	<b>154,862</b>	<b>11,236</b>	<b>29,791</b>	<b>32,548</b>
<b>CAPITAL</b>				
<b>Paid-in capital:</b> Capital stock, U. S. Government.....	<b>115,000,000</b>	<b>108,300,000</b>	<b>101,250,000</b>	<b>95,950,000</b>
<b>Earned surplus:</b> Unreserved surplus.....	<b>7,746,635</b>	<b>12,716,436</b>	<b>15,619,044</b>	<b>16,005,060</b>
<b>Total capital</b> .....	<b>122,746,635</b>	<b>121,016,436</b>	<b>116,869,044</b>	<b>111,955,060</b>
<b>Total liabilities and capital</b> .....	<b>122,901,497</b>	<b>121,027,672</b>	<b>116,898,835</b>	<b>111,987,608</b>

<sup>1</sup> Excludes bonds sold to production credit associations at par under agreement to repurchase at par as follows: 1944, \$101,090,750; 1945, \$101,232,050; 1946, \$98,231,300, and 1947, \$95,284,300.

## PRODUCTION CREDIT CORPORATIONS

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SCHEDULE A-1  
CHANGES IN WORKING CAPITAL

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Current assets (increase or decrease*):</b>			
Cash:			
With U. S. Treasury.....	*\$140,256	\$1,439	\$1,748
On hand and in banks.....	123,527	*71,011	*19,146
Accounts and notes receivable.....	523	*4,588	*484
Accrued interest on U. S. Government securities.....	13,368	23,099	4,038
Deferred charges.....	*33,168	7,575	548
<b>Current liabilities (increase* or decrease):</b>			
Accounts payable.....	*41	1,659	*75
Trust and deposit liabilities:			
U. S. Treasury, Federal taxes withheld.....	*162	300	55
Production credit associations.....	142,000		
Other.....	*128	153	155
Accrued salaries.....		*20,550	*3,475
Increase in working capital.....	105,663		
Decrease in working capital.....		61,924	16,636

\*Deduct.

SCHEDULE B-1

ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Directors' compensation	\$16,853	\$18,367	\$19,048
Officers:			
President	12.0 107,005	11.5 111,063	11.5 113,435
Vice president	10.1 67,289	10.4 74,943	10.6 78,388
Vice president and treasurer	1.0 6,500	1.0 7,170	1.0 7,175
Vice president and secretary	1.0 6,200	1.0 7,279	1.0 7,700
Treasurer	9.8 57,495	10.5 64,550	11.0 69,805
Secretary and treasurer	1.0 5,950	.5 3,535	
Secretary	9.6 55,177	9.5 58,444	10.5 65,650
Employees:			
Administrative, legal, and internal operations	41.3 87,300	41.4 101,467	41.4 103,713
Supervision of production credit associations credits and collections	70.1 230,815	71.0 268,589	75.5 286,004
Supervision of production credit associations accounting, fiscal, and procedures	48.7 131,496	47.9 158,446	53.1 178,268
Supervision of production credit associations member relations and educational programs	17.7 43,070	20.3 58,567	22.9 69,198
Overtime compensation	120,085	15,000	
Total	222.3 935,235	225.0 947,425	238.5 998,384
Travel expense	176,792	200,000	211,000
Rent and utility services	55,587	55,260	56,212
Communication services	16,824	19,000	19,000
Printing, binding, and office supplies	7,500	18,000	23,000
Equipment	889	16,281	31,362
General agent's expense	102,852	110,000	113,000
Insurance and fidelity bond premiums	9,088	9,000	9,000
Taxes	1,419	1,600	1,600
Miscellaneous	15,127	16,000	16,000
Subtotal	1,321,263	1,392,566	1,478,558
Payments to Farm Credit Administration for services received:			
Supervisory expense (assessment)	235,008	244,846	251,435
Examination expense (advance assessment)	8,297	7,500	7,000
Total administrative expenses <sup>1</sup>	1,564,568	1,644,912	1,736,993

<sup>1</sup> Does not provide for General Accounting Office audit assessment for which no estimate is available.

SCHEDULE B-2

PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By grade	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, FIELD			
Unclassified:			
Rate over \$5,200:			
President	12 \$107,005	11.5 \$111,063	11.5 \$113,435
Vice president	10 67,214	9.9 72,547	10.6 78,388
Vice president and treasurer	1 6,500	1 7,170	1 7,175
Vice president and secretary	1 6,200	1 7,279	1 7,700

By grade	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
PERSONAL SERVICES, FIELD—continued			
Unclassified—Continued			
Rate over \$5,200—Continued			
Assistant vice president	9.8 \$57,495	2 \$10,672	2 \$10,906
Treasurer	1 5,950	8.5 54,891	9 59,535
Secretary and treasurer	7.6 45,957	.5 3,535	
Secretary	1.2 6,431	9.5 58,444	10.5 65,650
Attorneys	.1 1,600	1.4 8,552	1.6 9,992
Puerto Rico representative			
Rate of \$5,200:			
Vice president		.5 2,401	
Treasurer	1 5,200	1 5,070	2 10,270
Secretary	4 18,710	.5 2,491	
Assistant vice president		4.1 19,667	5 24,030
Assistant treasurer		2.5 12,253	4 19,002
Assistant secretary		.5 2,572	1 4,674
Chief accountant		.5 2,370	
Field representative		4.7 22,487	9.2 43,788
Attorney	.6 2,830	2.2 10,496	2 10,691
Rate of \$4,600:			
Treasurer	.3 1,300	1 4,589	
Secretary	1 4,020		
Assistant vice president	2.2 9,292	3.2 13,605	3 13,068
Assistant treasurer	2 8,400	7.1 30,540	7 31,448
Assistant secretary	1 4,235	2.5 10,693	2 8,820
Chief accountant		1.5 6,866	1 4,146
Field representative	2 8,220	32.6 133,742	31 132,255
Field accountant		2.6 10,597	3 12,240
Attorney	1.8 7,722	0.3 1,075	0.3 1,224
Rate of \$4,000:			
Assistant vice president	3 10,670		
Assistant treasurer	4.7 18,528		
Assistant secretary	2.8 10,817	0.6 2,236	1.5 5,427
Chief accountant	3 10,410	1 3,860	1 3,882
Field representative	32.9 123,750	7.9 29,196	9 33,354
Field accountant	5.8 20,839	11.8 44,233	15 56,056
Accountant	0.4 1,295	1 3,420	1 3,618
Credit examiner	1 3,783	1.3 4,965	1.5 5,541
Attorney	0.7 1,405	0.5 1,992	0.5 1,842
Rate of \$3,400:	23.6 73,809	9.6 31,875	9 28,404
Rate of \$2,800:	12 26,754	25.9 61,253	29.5 71,121
Rate of \$2,200:	22.2 42,239	28.3 58,615	32.9 67,463
Rate of \$1,900:	27.1 46,489	18.7 33,162	13.5 23,640
Rate of \$1,600:	19.8 28,431	3.3 4,850	3.4 5,171
Rate of \$1,300:	1.4 1,666	1.1 1,320	1 1,296
Total permanent, field	220 795,166	223.6 911,644	236.5 975,222
Temporary employment, field	2.3 3,131	1.4 2,414	2 4,114
Overtime pay, field	120,085	15,000	
Directors' compensation	16,853	18,367	19,048
Personal services (net) (schedule B-1)	222.3 935,235	225 947,425	238.5 998,384

SCHEDULE C-1

REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in production credit corporations, payment on subscriptions to capital stock:			
Retirement	-\$6,700,000	-\$7,050,000	-\$5,300,000
Prior year balance available in 1945	-5,000,000		
1945 balance available in 1946	+11,700,000	-11,700,000	
1946 balance available in 1947		+18,750,000	-18,750,000
1947 balance available in 1948			+24,050,000
Total estimate or appropriation			

## REGIONAL AGRICULTURAL CREDIT CORPORATION OF WASHINGTON, D. C.

### CREATION AND PURPOSE

Following an extreme credit stringency during 1930-31, the Reconstruction Finance Corporation was created January 22, 1932 (47 Stat. 6), with authority to make loans to aid in financing agriculture, either directly or by way of discount or rediscount of obligations. Section 201 (e) of the Emergency Relief and Construction Act of 1932, approved July 21, 1932, extended the power of the Reconstruction Finance Corporation by authorizing it to establish a regional agricultural credit corporation in any Federal land bank district (now Farm Credit Administration district) where the need existed (12 U. S. C. 1148). Under that authority, 12 regional agricultural credit corporations, 1 in each Federal land bank district, were chartered during September and October 1932, to make loans to farmers and stockmen for agricultural purposes.

These corporations were supervised and controlled by the Reconstruction Finance Corporation until May 27, 1933, when such supervision and control was transferred to the Farm Credit Administration by Executive Order 6084, dated March 27, 1933. The Farm Credit Administration has administered, supervised, and directed the activities of the regional agricultural credit corporations since that date. Effective July 1, 1939, the Farm Credit Administration and the Corporation were placed within the Department of Agriculture, and are now under the general direction and supervision of the Secretary of Agriculture, pursuant to section 401, part 4, reorganization plan No. 1, dated April 25, 1939.

As a result of the creation of the production credit system and the reestablishment of lending by commercial banks it became apparent that in some land bank districts the lending activities of these corporations could be curtailed and in some cases discontinued without detriment to the farmers. Accordingly, the Farm Credit Act of 1937 authorized the consolidation or merger of the regional agricultural credit corporations (12 U. S. C. 1148c). By a series of mergers these corporations were merged into the Regional Agricultural Credit Corporation of Washington, D. C., the only regional agricultural credit corporation now in existence. The last of these mergers occurred on January 31, 1944.

### FINANCIAL ORGANIZATION

Originally the capital stock of the regional agricultural credit corporations was subscribed and paid for by the Reconstruction Finance Corporation, as authorized by the Emergency Relief and Construction Act of 1932 (12 U. S. C. 1148). The stock was held by the Reconstruction Finance Corporation for and on behalf of the United States until March 22, 1938, when by Executive Order 7848, it was ordered transferred to the Secretary of the Treasury to be held for and on behalf of the United States. All of the stock of the Corporation is now held by the Secretary of the Treasury, but the supervision and control of the Corporation is vested in the Farm Credit Administration. However, the Reconstruction Finance Corporation continues to pay the administrative expenses

of the Regional Agricultural Credit Corporation of Washington, D. C., as provided by section 201 (e) of the act of July 21, 1932 (12 U. S. C. 1148). During the period from the organization of the regional agricultural credit corporations through June 30, 1945, the Reconstruction Finance Corporation advanced \$21,221,756 for the payment of expenses incurred by the regional agricultural credit corporations, this amount being reflected as paid-in surplus on the comparative statement of financial condition of the Corporation which follows the textual material (exhibit C).

The original capital stock issued by the 12 regional agricultural credit corporations in 1932 amounted to \$36,000,000; additional stock issued during 1932 and 1933 increased this amount to \$44,500,000 which represented the maximum amount outstanding at any time. By April 30, 1938, the corporations had returned \$39,500,000 of their capital to the United States Treasury where it was held in the revolving fund set up under section 84 of the Farm Credit Act of 1933 (12 U. S. C. 1148a). This revolving fund was available for use in increasing the capital of any regional agricultural credit corporation. In February 1943, when the Regional Agricultural Credit Corporation of Washington, D. C., entered upon a program of making loans to finance increased production of foods and fibers needed to meet war requirements, the \$39,500,000 in the revolving fund was utilized to increase the capital of the Corporation to enable it to carry out its food production financing program. During the fiscal year 1945, \$44,400,000 of capital was repaid to the revolving fund, leaving \$100,000 outstanding on June 30, 1945.

The Corporation is authorized to rediscount eligible paper with the Reconstruction Finance Corporation, Federal reserve banks, and the Federal intermediate credit banks (12 U. S. C. 1148). The Corporation is also authorized to borrow (other than by way of discount) from the Reconstruction Finance Corporation or any Federal intermediate credit bank (12 U. S. C. 1148b). The Corporation has not recently utilized this authority, and except for unforeseen emergencies does not contemplate a need for borrowing funds during the fiscal year 1947.

### ANALYSIS OF BUDGET PROGRAM BY MAJOR ACTIVITIES

In appraising the budgetary requirements of the Corporation for the fiscal year 1947 it is assumed that agricultural conditions having a bearing on collection of loans will not change substantially and will be as favorable as they are today, and that if loans are made they will be limited to restricted areas. The level at which these activities were carried on during the fiscal year 1945 and the projected level for the fiscal years 1946 and 1947 are shown in the financial statements immediately following the textual material.

*Food production loans and advances.*—Under Executive Order 9280, issued December 5, 1942, the Secretary of Agriculture was made responsible for establishing programs to obtain production of the increased quantities of food necessary to meet war requirements. To provide

complete and positive assurance that there would be adequate credit to finance the extraordinary production of food, the Secretary, in January and February 1943, authorized the Corporation to make available to farmers additional credit to supplement that available from existing sources. Accordingly, two types of credit were made available to farmers, namely F-1 loans and F-2 special war crop advances.

The loans and advances were made through the county war boards and loan representatives selected from personnel of the various agencies of the Department of Agriculture. However, the functions of servicing, accounting for, and collecting these loans and advances are now performed for the Corporation principally by the emergency crop and feed loan offices of the Farm Credit Administration under the general supervision of the district vice presidents of the Corporation.

With the enactment of restrictions on the operation of this program in section 2 of the Department of Agriculture Appropriation Act, 1944 (57 Stat. 428), active lending operations under this program were discontinued after June 30, 1943, except for commitments already outstanding and further loans and advances to aid in the collection of outstanding loans and advances.

Through June 30, 1945, the aggregate amount of credit extended through F-1 loans and F-2 (special war crop) advances totaled \$68,939,653 (including renewals). During this same period repayments amounted to \$59,989,521; charge-offs \$82,911, F-2 cancellations \$2,845,394, and transfers to acquired security or collateral \$157,666, a total of \$3,085,971, leaving \$5,864,161 outstanding at the end of the period. During the fiscal year 1946, it is expected that advances and renewals to aid collection will amount to \$250,000 and that during the same period the Corporation will charge off and cancel loans in the amount of \$904,741, transfer to the acquired security account \$45,259, and receive in repayment \$2,050,161. For the fiscal year 1947, it is estimated that advances and renewals will amount to \$100,000, whereas charge-offs and cancellations will amount to \$1,220,000, and \$500,000 will be received in repayments, leaving a balance of \$1,494,000 outstanding at June 30, 1947.

*Restricted area loans.*—Pursuant to section 2 of the Department of Agriculture Appropriation Act of 1944 (57 Stat. 428) and subsequent years, the Secretary of Agriculture, beginning in October 1943 and from time to time thereafter, has authorized and directed the Regional Agricultural Credit Corporation of Washington, D. C., to make loans to finance the production of specified crops and livestock in certain regions in various States designated as regions in which such loans were necessary in order to finance the production of crops or livestock that otherwise would not be produced.

These loans are secured by a first lien on the crop or livestock financed and such additional collateral as is deemed necessary to afford reasonable assurance of repayment. A certificate of refusal of the loan by a bank in the county and the production credit association serving the area is required before the Corporation will consider the application for a loan. Through June 30, 1945, the Corporation had made loans under this program amounting to \$6,498,935 of which \$1,744,676 was still outstanding on that date. It is forecast that about \$3,000,000 will be advanced during each of the fiscal years 1946 and 1947. During the same period \$5,211,983 will be collected and \$1,693 charged off, leaving a balance of \$2,531,000 outstanding at June 30, 1947.

*Wenatchee fruit loans.*—In 1941, the Regional Agricultural Credit Corporation of Salt Lake City, Utah, which

was later merged with the Regional Agricultural Credit Corporation of Washington, D. C., established a branch office at Wenatchee, Washington, to make loans to fruit growers in the north central area of the State of Washington. This branch office was opened at the urgent request of local organizations of fruit growers, bankers, and merchants after it had become impossible to obtain the necessary credit from other credit institutions operating in the area. The Regional Agricultural Credit Corporation went into the Wenatchee area after careful study by the Department of Agriculture and the local Land Use Planning Committee. Financing by the Corporation was combined with general horticultural supervision for the rehabilitation of orchards in the area. At June 30, 1945, the loans made to that date aggregated \$30,005,686 and the balance outstanding was \$1,787,879 (12 U. S. C. 1148).

As a result of improvement in the agricultural lending field and the projected entry of a local privately owned credit corporation into active financing of apple growers in Wenatchee the active lending operations of the Corporation in this program are to be materially restricted for the 1946 season. Unless unforeseen adverse agricultural conditions make it advisable for the Corporation to reinstate its lending program it is anticipated that the staff of the Wenatchee office will be reduced by July 1, 1947, to the minimum number required to service any loans then outstanding and to otherwise wind up the affairs of that office.

The Corporation expects to advance \$4,550,000 during the fiscal year 1946 and collections of \$5,787,879 are forecast for the same period. Advances for the fiscal year 1947 are forecast at \$650,000 and collections at \$1,100,000, which would leave a balance outstanding of \$100,000 at June 30, 1947.

*Other loans.*—The original loan program of the regional agricultural credit corporations was initiated upon their organization in 1932 (12 U. S. C. 1148), and in May 1934 was placed in orderly liquidation by the Farm Credit Administration as a result of improvement in the agricultural lending field and the establishment of the production credit system.

The unpaid principal balance of these loans outstanding on June 30, 1945, amounted to \$111,751. It is forecast that collections of \$70,751 and \$1,000 will be made in the fiscal years 1946 and 1947, respectively, and that \$20,000 and \$10,000 will be charged off in the same periods, leaving a balance outstanding on June 30, 1947, of \$10,000.

#### OPERATING RESULTS

During the fiscal year 1945, programs carried on by the Corporation resulted in a net loss of \$337,315 after provisions for all foreseeable losses and adjustments of valuation reserves. For the fiscal year 1946, it is estimated that a net loss of \$277,330 will be sustained and that the loss for 1947 will amount to \$258,700. As a result of the losses expected during the fiscal years 1946 and 1947 it is estimated that the Corporation will reflect a deficit of \$7,529,082 on June 30, 1947 (see exhibits B and C).

#### FINANCIAL CONDITION

*Loan account.*—On June 30, 1945, there were, exclusive of sales contracts, notes receivable, etc., and advances to borrowers, 14,520 loans outstanding, amounting to \$9,508,467, of which 13,022 represented food production loans, 761 represented restricted area loans, 599 represented Wenatchee fruit loans, and 138 represented other loans made prior to January 1, 1943. The reserve main-

tained against the loan account on June 30, 1945, is considered adequate to cover probable losses under reasonably normal conditions.

*Government securities.*—The investment in Government securities on June 30, 1945, amounted to \$326,020. These securities are held as investments of the special reserve fund for fruit loans; the Corporation holds no investments of its own. No material changes are anticipated during 1946 and 1947.

*Return of capital funds to the Treasury.*—No additional retirements are anticipated at this time, since the capital stock has been reduced to the nominal amount of \$100,000.

#### ADMINISTRATIVE EXPENSES

Administrative expenses of the Corporation include the cost of liquidating food production loans and advances and other loans, and the active lending operations of the Wenatchee branch office and the restricted area program. However, provision has not been made for the costs of audits by the General Accounting Office, pursuant to Public Law 248 (79th Cong.) since bases for making such an estimate are not available. Estimated total administrative expense (exclusive of expense refunds applicable to prior years) of \$642,000 for the fiscal year 1946 and \$441,000 for the fiscal year 1947 when compared with the

actual for 1945 of \$709,172, reflects a reduction of \$67,172 for 1946 and \$268,172 for 1947. (For further details see statement of income and expense; exhibit B; and schedules B-1 and B-2.)

The budget program for 1947 contemplates a continuance of the existing arrangement whereby the costs of administration are paid by the Reconstruction Finance Corporation (12 U. S. C. 1148). However, it is believed that administration would be simplified and over-all economies in record keeping would result if the Regional Agricultural Credit Corporation operated entirely from its own resources. Legislation terminating the present arrangement and providing for the payment of costs of administration (including supervision and examination by the Farm Credit Administration) from the resources of the Regional Agricultural Credit Corporation, effective July 1, 1947, will be proposed to the Congress.

#### LANGUAGE

*The types of programs set forth in the 1947 budget of the Regional Agricultural Credit Corporation (12 U. S. C. 1148), within the funds available to it, are approved: Provided, That the operations of said Corporation shall be subject to the provisions of section 2 of the general provisions of the Department of Agriculture Appropriation Act, 1947. (Act of Dec. 6, 1945, Public Law 248.)*

## EXHIBIT A

## COMPARATIVE STATEMENT OF SOURCES AND APPLICATION OF FUNDS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>FUNDS APPLIED</b>			
To make loans to farmers:			
Food production loans and advances .....	\$1,665,529	\$250,000	\$100,000
Restricted area loans .....	3,386,174	3,000,000	3,000,000
Fruit loans, Wenatchee area .....	7,550,829	4,550,000	650,000
Other loans .....	6,119		
Sales contracts, notes receivable, etc. (net) .....	9,164		
	\$12,617,815	\$7,800,000	\$3,750,000
To operating expenses:			
Administrative expense (see schedule B-1) .....	709,172	642,000	441,000
Expense credits and prior year adjustments .....	*141,790	*38,983	
Exchange fees paid .....	2,488	850	500
	569,870	603,867	441,500
To acquisition and improvement of acquired security or collateral .....	134,453	48,292	
To repayment of paid-in capital, U. S. Treasury .....	44,400,000		
To investment in U. S. Government securities (special reserve fund, fruit loans) .....	326,020	326,000	326,000
To net decrease in other liabilities .....		260	
To increase (or decrease*) working capital .....	*34,660,900	2,558,162	1,084,300
<b>Total funds applied</b> .....	<b>23,387,258</b>	<b>11,336,581</b>	<b>5,601,800</b>
<b>FUNDS PROVIDED</b>			
By repayments of principal of loans and advances:			
Food production loans and advances .....	9,103,952	2,095,420	500,000
Restricted area loans .....	4,658,708	2,162,983	3,049,000
Fruit loans, Wenatchee area .....	8,228,006	5,787,879	1,100,000
Other loans .....	86,965	70,751	1,000
Sales contracts, notes receivable, etc. (net) .....		5,497	3,000
Advances for borrowers (net) .....	4,583	4,248	2,000
	22,082,214	10,126,778	4,655,000
By operating income:			
Interest on loans .....	387,096	243,680	164,000
Interest on sales contracts, notes receivable, etc. ....	1,121	1,000	800
Fee and other income .....	57,883	41,288	22,000
	446,100	285,968	186,800
By nonoperating income: Recoveries on assets charged off .....	32,104	32,000	
By sale of acquired security or collateral:			
Carrying value of acquired security or collateral sold .....	47,968	16,742	15,000
Gain on sale of acquired security or collateral .....	1,280		
	49,248	16,742	15,000
By capital and surplus subscription: U. S. Treasury (through Reconstruction Finance Corporation) .....	500,000	542,073	419,000
By sale of investments in U. S. Government securities (special reserve fund, fruit loans) .....	236,007	326,020	326,000
By net decrease in land, structures, and equipment .....	6,641	11,074	
Less net decrease in reserve included in administrative expenses .....	6,641	11,074	
By net decrease in other assets .....	41,500	7,000	
By net increase in other liabilities .....	85		
<b>Total funds provided</b> .....	<b>23,387,258</b>	<b>11,336,581</b>	<b>5,601,800</b>

\*Deduct.

## REGIONAL AGRICULTURAL CREDIT CORPORATION OF WASHINGTON, D. C.

**EXHIBIT B**  
**COMPARATIVE STATEMENT OF INCOME AND EXPENSES**

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
<b>Operating income:</b>			
Interest on loans.....	\$387,096	\$243,680	\$164,000
Interest on sales contracts, notes receivable, etc.....	1,121	1,000	800
Fee and other income.....	57,883	41,288	22,000
<b>Total operating income.....</b>	<b>\$446,100</b>	<b>\$285,968</b>	<b>\$186,800</b>
<b>Operating expenses:</b>			
Administrative expenses (see schedule B-1).....	709,172	642,000	441,000
Expense credits and prior year adjustments.....	*141,790	*38,983	-----
Exchange fees paid.....	2,488	850	500
<b>Total operating expenses.....</b>	<b>569,870</b>	<b>603,867</b>	<b>441,500</b>
<b>Net operating loss*.....</b>	<b>*123,770</b>	<b>*317,899</b>	<b>*254,700</b>
Nonoperating expense:* Loss on assets charged off or disposed of otherwise.....	*1,560,343	*899,046	*1,235,000
<b>Net loss* before adjustment of valuation reserves.....</b>	<b>*1,684,113</b>	<b>*1,216,945</b>	<b>*1,489,700</b>
Adjustment of valuation reserves.....	1,346,798	939,615	1,231,000
<b>Net loss* carried to deficit.....</b>	<b>*337,315</b>	<b>*277,330</b>	<b>*258,700</b>

**ANALYSIS OF DEFICIT**

Balance at beginning of fiscal year.....	*\$6,655,737	*\$6,993,052	*\$7,270,382
Net loss* for year (above).....	*337,315	*277,330	*258,700
<b>Balance at end of fiscal year.....</b>	<b>*6,993,052</b>	<b>*7,270,382</b>	<b>*7,529,082</b>

\*Deduct.

**EXHIBIT C**  
**COMPARATIVE STATEMENT OF FINANCIAL CONDITION**

[As of June 30, 1944, 1945, 1946, and 1947]

	June 30, 1944, actual <sup>1</sup>	June 30, 1945, actual	June 30, 1946, estimated	June 30, 1947, estimated
<b>ASSETS</b>				
Cash:				
With U. S. Treasury .....	\$42,329,169	\$7,925,157	\$10,031,975	\$11,159,875
On hand .....	2,610	200	200	200
Total .....	42,331,779	7,925,357	10,032,175	11,160,075
Investments: U. S. Government securities (special reserve fund, fruit loans) .....	236,007	326,020	326,000	326,000
Loans receivable:				
Food production loans and advances .....	14,858,561	5,864,161	3,114,000	1,494,000
Restricted area loans .....	3,017,210	1,744,676	2,580,000	2,531,000
Fruit loans, Wenatchee area .....	2,465,056	1,787,879	550,000	100,000
Other loans .....	202,421	111,751	21,000	10,000
Sales contracts, notes receivable, etc. ....	28,334	37,497	32,000	29,000
Advances to borrowers .....	17,831	13,248	9,000	7,000
Total .....	20,589,413	9,559,212	6,306,000	4,171,000
Less reserve for loans and advances .....	4,277,723	2,908,192	1,901,043	690,043
Net .....	16,311,690	6,651,020	4,404,957	3,480,957
Accounts and notes receivable .....	222	205	200	200
Accrued interest on loans and advances (net) .....	782,246	456,035	279,715	203,715
Office equipment and automobiles .....	64,715	58,074	47,000	47,000
Less reserve .....	64,715	58,074	47,000	47,000
Net .....				
Acquired security or collateral .....	34,502	93,062	120,000	100,000
Less reserve .....	29,733	52,466	120,000	100,000
Net .....	4,769	40,596		
Deferred charges .....		37,132		
Other assets: Imprest funds .....	69,000	27,500	20,500	20,500
Total assets .....	59,735,713	15,463,865	15,063,547	15,191,447
<b>LIABILITIES</b>				
Accounts payable: Drafts outstanding .....	10,029	9,896	3,800	1,000
Accrued liabilities:				
Accrued expense, food production program:				
Due Government agencies .....	140,963	23,510	20,800	14,300
Other .....	74,774	11,939	14,600	10,400
Accrued salaries .....			3,400	2,500
Total .....	215,737	35,449	38,800	27,200
Trust and deposit liabilities:				
U. S. Treasury, Federal taxes withheld .....	5,632	4,916	3,000	3,000
Due borrowers and others .....	625,195	717,575	25,000	1,000
Special and contributed reserves, fruit loans .....	279,687	354,216	390,000	400,000
Total .....	910,514	1,076,707	418,000	404,000
Undistributed credits .....	31,739	11,349	8,000	4,000
Other liabilities .....	1,675	1,760	1,500	1,500
Total liabilities .....	1,169,694	1,135,161	470,100	437,700
<b>CAPITAL</b>				
Paid-in capital:				
Capital stock, U. S. Government <sup>1</sup> .....	44,500,000	100,000	100,000	100,000
Paid-in surplus, U. S. Government <sup>1</sup> .....	20,721,756	21,221,756	21,763,829	22,182,829
Total .....	65,221,756	21,321,756	21,863,829	22,282,829
Deficit .....	*6,655,737	*6,993,052	*7,270,382	*7,529,082
Total capital .....	58,566,019	14,328,704	14,593,447	14,753,747
Total liabilities and capital .....	59,735,713	15,463,865	15,063,547	15,191,447

\*Deduct.

<sup>1</sup> Under the act of July 21, 1932 (12 U. S. C. 1148) which authorized the creation of regional agricultural credit corporations it was provided that the Reconstruction Finance Corporation subscribe for and pay in the capital stock of the corporations. This act further provided that all expenses incurred in connection with the operation of such corporations be paid by the Reconstruction Finance Corporation under such rules and regulations as its board of directors may prescribe; the latter amounts have been treated as paid-in surplus. Pursuant to the act of Feb. 24, 1933 (52 Stat. 79), the act of Mar. 8, 1938 (52 Stat. 107), and Executive Order 7848, dated Mar. 22, 1938, the capital of the Regional Agricultural Credit Corporation is held by the Secretary of the Treasury, for and on behalf of the United States.

REGIONAL AGRICULTURAL CREDIT CORPORATION OF WASHINGTON, D. C.

SCHEDULE A-1  
CHANGES IN WORKING CAPITAL AND DEFERRED ITEMS

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Current assets (increase or decrease*):			
Cash:			
With U. S. Treasury.....	*\$34,404,012	\$2,106,818	\$1,127,900
On hand.....	*2,410		
Accounts and notes receivable.....	*17	*5	
Accrued interest on loans and advances (net).....	*326,211	*176,320	*76,000
Deferred charges.....	37,132	*37,132	
Current liabilities (increase* or decrease):			
Accounts payable:			
Drafts outstanding.....	133	6,096	2,800
Accrued liabilities:			
Accrued expense, food production program:			
Due Government agencies.....	117,453	2,710	6,500
Other.....	62,835	*2,661	4,200
Accrued salaries.....		*3,400	900
Trust and deposit liabilities:			
U. S. Treasury, Federal taxes withheld.....	716	1,916	
Due borrowers and others.....	*92,380	692,575	24,000
Special and contributed reserves, fruit loans.....	*74,529	*35,784	*10,000
Undistributed credits.....	20,390	3,349	4,000
Increase in working capital.....		2,558,162	1,084,300
Decrease in working capital.....	34,660,900		

\* Deduct.

SCHEDULE B-1  
ADMINISTRATIVE EXPENSES

[Fiscal years ending June 30, 1945, 1946, and 1947]

By accounts	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Salaries and wages:			
Directors' and loan committeemen's compensation.....	\$893	\$1,000	\$1,000
Officers:			
Vice president.....	1 7,000	1 7,700	1 7,070
Assistant vice president.....			
Assistant vice president and secretary.....	1 5,433	1 6,230	1 6,230
Employees:			
Administrative and general.....	14.9 33,282	9.1 24,182	9 21,432
Credit analysis.....	10.8 27,826	6.5 18,827	6 16,890
Horticultural services.....	20.3 49,034	17.5 49,841	10 25,620
Accounting and fiscal.....	5.8 10,729	5.9 13,388	5 10,726
Overtime compensation.....	25,088	3,048	
Total salaries and wages.....	53.8 159,285	42 131,286	32 88,968
Travel expense.....	10,307	10,000	7,000
Rent and utility services.....	6,666	6,500	6,000
Communications.....	2,850	3,000	2,500
Printing, binding, and office supplies.....	2,295	1,500	1,500
Equipment expense.....	*5,002	*10,874	200
Insurance and fidelity bond premiums.....	4,350	5,000	4,000
Miscellaneous.....	3,906	4,559	4,312
Subtotal.....	184,657	150,971	114,480
Payments for services received:			
Farm Credit Administration:			
Central office and crop loan facilities.....	273,918	291,029	201,520
District agencies.....	209,892	175,000	125,000
Agricultural Adjustment Administration.....	40,705	25,000	
Total administrative expenses <sup>1</sup> .....	709,172	642,000	441,000

\*Deduct.

<sup>1</sup> Does not provide for General Accounting Office assessment for which no estimate is available.

SCHEDULE B-2  
PERSONAL SERVICES

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
	Man-years Amount	Man-years Amount	Man-years Amount
Personal services, departmental:			
Unclassified:			
Rate over \$5,200:			
Vice president.....	1 \$7,000	1 \$7,700	1 \$7,070
Assistant vice president.....			
Assistant vice president and secretary.....	1 5,433	1 6,230	1 6,230
Rate of \$2,800.....	1 2,000	1 2,408	1 2,408
Rate of \$2,200.....		0.9 1,782	1 1,902
Total permanent, departmental.....	3 14,433	4.9 25,190	4 17,610
Overtime pay, departmental.....	1,690	270	
All personal services, departmental.....	3 16,123	4.9 25,460	4 17,610
Personal services, field:			
Unclassified:			
Rate over \$5,200:			
Branch manager.....	0.4 2,284		
Acting branch manager, assistant secretary, and assistant treasurer.....	0.8 3,954	1 5,810	1 5,810
Assistant manager, assistant secretary, and assistant treasurer.....	0.2 667		
Rate of \$5,200:			
Assistant secretary and assistant treasurer.....		0.7 3,549	
Assistant to the manager.....		0.8 3,792	
Rate of \$4,600:			
Assistant secretary.....	1 4,208	1 4,520	1 4,520
Rate of \$4,000:			
Assistant secretary.....	1 3,800		
Assistant secretary and assistant treasurer.....	0.8 2,973		
Assistant to the manager.....	1 3,966		
Credit examiner.....		0.1 375	1 3,750
Horticulturist.....		9.5 32,853	5 17,100
Rate of \$3,400.....	6.4 19,708	3.3 10,966	2 6,450
Rate of \$2,800.....	13.8 37,132	2.4 6,390	1 2,550
Rate of \$2,200.....	1.8 3,600	5.4 11,012	3 6,190
Rate of \$1,900.....	9.1 15,335	10 17,384	12 20,844
Rate of \$1,600.....	9.1 13,110	2.2 3,445	2 3,144
Rate of \$1,300.....	3 3,667		
Total permanent, field.....	48.4 114,404	36.4 100,096	28 70,358
Temporary employment, field.....	2.4 4,467	0.7 1,952	
Overtime pay, field.....	23,398	2,778	
Loan committeemen's compensation.....	893	1,000	1,000
All personal services, field.....	50.8 143,162	37.1 105,826	28 71,358
Personal services (net) (schedule B-1).....	53.8 159,285	42 131,286	32 88,968

SCHEDULE C-1  
STATUS OF LOANS RECEIVABLE<sup>1</sup>

[As of June 30, 1944 and 1945]

	June 30, 1944		June 30, 1945	
	Number	Amount	Number	Amount
<b>Food production loans and advances:</b>				
Current.....	1,336	\$2,485,483	1,015	\$1,040,141
Delinquent.....	26,939	12,373,078	12,007	4,824,020
<b>Total.....</b>	<b>28,275</b>	<b>14,858,561</b>	<b>13,022</b>	<b>5,864,161</b>
<b>Restricted area loans:</b>				
Current.....	1,141	3,017,210	551	1,451,676
Delinquent.....			210	293,000
<b>Total.....</b>	<b>1,141</b>	<b>3,017,210</b>	<b>761</b>	<b>1,744,676</b>
<b>Fruit loans, Wenatchee area: Current.....</b>	<b>693</b>	<b>2,465,056</b>	<b>599</b>	<b>1,787,879</b>
<b>Other loans:</b>				
Current.....	1	9,848		
Delinquent.....	230	192,573	138	111,751
<b>Total.....</b>	<b>231</b>	<b>202,421</b>	<b>138</b>	<b>111,751</b>
<b>Sales contracts, notes receivable, etc.: Current.....</b>		<b>28,334</b>		<b>37,497</b>
<b>Advances to borrowers: Delinquent.....</b>		<b>17,831</b>		<b>13,248</b>
<b>Total loans receivable.....</b>	<b>30,340</b>	<b>20,589,413</b>	<b>14,520</b>	<b>9,559,212</b>

<sup>1</sup> Segregation between current and delinquent items is estimated.

SCHEDULE D-1  
REVOLVING FUND

[Fiscal years ending June 30, 1945, 1946, and 1947]

	1945, actual	1946, estimated	1947, estimated
Investments in regional agricultural credit corporations, payments on subscriptions to capital stock:			
Retirements.....	-\$44,400,000		
1945 balance available in 1946.....	+44,400,000	-\$44,400,000	
1946 balance available in 1947.....		+44,400,000	-\$44,400,000
1947 balance available in 1948.....			+44,400,000
<b>Total estimate or appropriation.....</b>			

**DEPARTMENT OF AGRICULTURE MIXED-OWNERSHIP CORPORATIONS**

*Federal land banks.*—Under an amendment to the Federal Farm Loan Act, approved January 23, 1932 (12 U. S. C. 698), the Secretary of the Treasury on behalf of the United States subscribed to 125 million dollars of capital stock in the 12 Federal land banks. This amendment also provided that the Secretary of the Treasury, under certain conditions, would subscribe to the paid-in surplus of any Federal land bank in an amount equal to extensions or deferments on loans granted during any particular period. For this purpose a total of 189 million dollars has been appropriated since 1933. Funds repaid by the banks from time to time have been placed in revolving funds in the Treasury, from which future subscriptions of capital and paid-in surplus may be made if conditions warrant. By June 30, 1946, it is estimated the Federal land banks will have retired all but 40 million dollars of the 125 million dollars Government-owned capital stock and all but 36.9 million dollars of the 189 million dollars paid-in surplus.

Upon completion of a bond-refunding program late in the fiscal year 1946, recommendations will be made as to further returns to the revolving funds in the Treasury of

Government-owned capital stock and paid-in surplus during the fiscal year 1947.

*Banks for cooperatives.*—The Farm Credit Act of 1933, as amended, provides that capital funds required by the banks for cooperatives would be obtained from the revolving fund of the Agricultural Marketing Act (12 U. S. C. 1134b-1131i) and from cooperatives obtaining loans from the banks (12 U. S. C. 1134k). The amount of stock owned by farmers' cooperatives has never constituted more than a comparatively small part of the total capital needs of the banks. As of December 31, 1945, cooperatives owned stock in the aggregate amount of \$6,442,700, or 3.4 percent of the total; the remaining \$178,500,000 represented capital stock paid-in by the United States Government.

The possibilities of increasing ownership by farmers' cooperatives and of decreasing the Government's interest in the banks' capital structure are being studied. It is anticipated that some of the studies now in process will be completed in the near future. However, it is not expected that any Government capital will be available for return to the revolving fund during the fiscal year 1947.