

(memoranda attached)

MINUTES OF BOARD MEETING

December 11, 1942, 11:00 A.M.

East Wing, White House

Present: The Director (Presiding)  
Mr. Bell (Acting Secretary of the Treasury)  
Mr. Wickard  
Mr. Jones  
Miss Perkins  
Mr. Smith  
Mr. Eccles  
Mr. Henderson  
Mr. Davis  
Mr. McNutt  
Mr. Green  
Mr. Patton  
Mr. Flanders

General discussion of the principles which should underlie subsidies was postponed to a future meeting, subsidies being discussed only in connection with the proposed dairy products program.

Mr. Wickard pointed out that, with respect to agricultural commodities, a considerable body of opinion among the potential beneficiaries of subsidies -- the farmers -- is hostile. Nevertheless, he stated, support prices adequate to secure needed production will require either subsidies or higher retail price ceilings. Mr. Wickard expressed the opinion that there is no other alternative if the necessary quantities of critical agricultural commodities are to be produced. Yet, he asserted, the Congress is still strongly predisposed against subsidies. It may be possible to reduce the amount of money required for subsidies by instituting economies in the processing and distribution of farm commodities. This would, in many cases, markedly alter the accepted systems of distribution and would therefore meet with considerable opposition. Hence, Mr. Wickard cautioned against

expecting too much relief in the distributive economies.

The dairy situation, Mr. Wickard pointed out, vividly illustrates the convergence of all these issues.

The Department of Agriculture has set a production goal of 122 billion pounds. This, Mr. Wickard believes, is the most dubious of all of the Department's goals, largely on account of the critical labor shortage in dairy farming. The Department will attempt to meet this goal by an intensive production drive in each county, undertaking to find what farmers will need in order to handle additional cows and produce additional quantities of milk. The Department will also, for the first time, offer stable year round support prices, so that farmers will be able to know just what price they can expect to get for their products at any time in the year. In general, prices to both farmer and consumer will remain at October levels, with some necessity for adjustment in certain special areas. There will, however, be one nation-wide exception -- a subsidy on cheese which will cost between \$20 and \$25 million. The Department, according to Mr. Wickard, has also taken steps to stop the slaughter of dairy cattle in certain localities by offers to purchase dairy cows at fair prices for resale to other farmers.

The War Manpower Commission has also directed deferment of essential dairy workers; and the procurement agencies have ordered government contractors not to hire such workers. The Department of Agriculture, in cooperation with the War Manpower Commission, has also instituted a program for the recruitment, training and transfer of farmers from unproductive areas, thus making them available to supply the shortage of labor in more productive dairy centers. Even these measures, however, will not be sufficient to

relieve the manpower shortage; and Mr. Wickard expressed the opinion that it will be necessary to recruit women for this type of work.

One additional problem, Mr. Wickard stated, is the maintenance of an adequate supply of fluid milk, particularly in those areas where population has suddenly and recently increased, or in those areas from which supplies have been drained off into such localities. In such areas, increases in the price of fluid milk are necessary to secure adequate supplies; and if either subsidies or increases in retail prices are to be avoided, it will be necessary to effect substantial economies in milk distribution, through the standardization of bottles, the zoning of deliveries, and increase of store sales. This problem is especially difficult in New York and Chicago. A subsidy is already in effect for the New York area, but should be eliminated if it is possible to institute sufficient economies.

The Director emphatically expressed the opinion that such economies must be instituted quickly, in view of the strong opposition to subsidies upon the part of Congress, and requested the help of Mr. Green in securing the help of organized labor.

Mr. Henderson pointed out that the practices of both labor and management in the dairy industry are deeply involved, and that these practices have grown up through years because of the necessity of developing strong collective bargaining relationships between workers and powerful nation-wide dairy corporations.

Mr. Wickard stated that, as part of the dairy program, cheese will be rationed along with meats. On the other hand, there will be no necessity for the nation-wide rationing of milk. In certain areas where the population has increased faster than supply, local rationing may be necessary.



Miss Perkins inquired whether it would not be possible to carry out an educational program, discouraging milk consumption upon the part of able-bodied adults, especially in view of the fact that milk consumption has been encouraged in the past by advertising and other educational methods. Mr. Wickard replied that such a program had failed to reduce the consumption of meats to any substantial degree, and expressed scepticism as to the possibility of using voluntary methods to reduce consumption.

Mr. Patton pointed out that butter has much less nutritive value than milk and cheese, and he inquired as to what measures are being taken to convert dairy resources away from butter production. Mr. Wickard replied that this is the purpose of the cheese subsidy, but pointed out that the limited cheese-making facilities reduce the extent to which conversion can be induced. Mr. Patton also emphasized the necessity of some measures to guarantee the minimum levels of subsistence to those persons who, in case of rationing, would not have sufficient purchasing power to utilize their portion of the rationed commodity.

There followed a general discussion as to the point system of rationing, and other related problems.

Mr. Green stated that a review of the proposed program had convinced him that it would be desirable to institute subsidies for milk. Other members of the Board emphasized the difficulty of securing Congressional approval, but Mr. Green stated that, since milk is essential to the maintenance of health and efficiency, subsidies would be especially desirable as an alternative to price increases.

Mr. Flanders stated that, in his opinion, there were other alternatives. If arrangements are made, he stated, to preserve the necessary minimum supply of manpower on the dairy farms; if sufficient labor-saving machinery

is made available to the farmer; and if the most efficient methods of production and distribution are used, it will be possible to secure the necessary products without increasing prices to consumers or without large subsidies.

Mr. Patton stated that the problem was not simply one of subsidies, but of furnishing adequate funds to finance the expansion of production, particularly on the family-type farm. We have, he stated spent billions of dollars from the public Treasury to finance the expansion of industrial facilities, but have made only the most ineffective efforts to provide adequate resources for medium and small farmers to expand their productive capacity, thereby utilizing to the fullest degree our agricultural manpower.

Mr. Flanders agreed that methods of increasing the efficiency of existing agricultural manpower should be given greater consideration.

Mr. Smith and Mr. Henderson both urged that, at a meeting of the Board in the near future, there should be a discussion of the general principles which would govern the use of subsidies in wartime.

The meeting adjourned at 1:25 to meet again on Tuesday, December 22, at 11:00 A. M.