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AGRICULTURAL LETTER

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After extensive hearings and a subsequent revision the Senate Agricultural Committee last week approved unanimously the Aiken bill setting up a long-range policy for agriculture. The timing of Senate action and what disposition the House will make of such legislation are uncertain enough to leave doubts whether this session of Congress will find time for disposing of the problem. The bill materially reorganizes many parts of the Governmental machinery pertaining to agriculture, "modernizes" parity, and provides for flexible price supports. The new formula for parity does not change the general level of farm price parities - 1910-14 is still the base - but makes the moving average of the most recent 10 years of prices for each commodity the basis for adjusting parity up or down for the individual commodities, thus making the parity a little more realistic in terms of changing supply and demand conditions for commodities. The flexible price supports would range from 60 per cent of parity when supplies are excessive to 90 per cent when they are deficient, and would average 75 per cent when supplies are "normal."

President Truman's message to Congress last week on needed farm legislation contained no new suggestions but was for the most part a reiteration or emphasis of recommendations already covered in the Aiken bill or in other farm legislation already in the Congressional mill. Congressional leaders are driving for adjournment by June 19 and with other legislation already on the docket it seems unlikely that farm bills will clear this session.

In the House Committee on Agriculture hearings are under way on the Hope bill providing for reorganization and long range operation of soil and water conservation activities. The bill contains some very controversial steps, and there is sharp division of opinion and reaction to it. USDA has appeared in objection to many features of the bill, including the provision of an advisory board, what was called a freezing of administrative lines by legislation in the proposed establishment of an Agricultural Resources Administration, and the bill's limitations on Federal payments to farmers for conservation practices. The Farm Bureau has expressed "unalterable opposition" to the entire bill, objecting chiefly that it is a concentration of powers in the hands of the Secretary of Agriculture that infringes the rights of farmers and destroys much of their independence - in other words, too much regimentation. On the other side, the Farmers' Union has wholeheartedly endorsed the bill as providing the needed immediate Governmental action to conserve the nation's dwindling agricultural resources.

American Bankers Association spokesmen recently appeared before the Senate Agricultural Committee hearings on a bill to require retirement of Government capital in FCA Banks for Cooperatives. ABA supported the aim of the legislation but asked that the retirement process be speeded up faster than the 20 to 30 years retirement would require under the bill. Support for the measure was expressed by representatives of the National Council of Farmer Cooperatives, who objected, however, to ABA's request for a speed-up on the ground that immediate repayment would force liquidation of the Banks for Cooperatives. Farm Bureau spokesmen supported the bill on grounds that it will promote farmer ownership and control of their credit agencies. Last week the House Appropriations Committee recommended that Congress make the Federal farm credit system pay for all the costs involved to Government on behalf of the system. It said in a report that the subsidies involved in supplying free capital to farmers make it impossible to determine if the credit is economically sound.

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The Reciprocal Trade Agreements Act is much in the news because the powers expire June 12 and are up for extension. The Tariff Commission has made a study of the operation of the trade agreements program over a 14-year period and concludes that it is impossible to measure the net effects of the program on industry and agriculture. The administration and several key witnesses have asked for another three-year extension of the Act as is, but opponents have brought forth weighty reasons for a shorter extension. House Ways and Means Committee voted out to the House floor the Gearhart bill, which provides an extension of only one year for the Act and puts new limitations on the method of arriving at trade agreements. A somewhat more potent position would be given to the Tariff Commission, and if the agreements negotiated did not come within limits set by the Commission, they would have to be approved by Congress. Among agricultural interests appearing in favor of extending the Act were the USDA and the Farm Bureau.

Legislation repealing oleomargarine taxes, having passed the House, is now in hearings before the Senate Finance Committee. The defeat of strictly dairy interests has touched off a series of new measures introduced in Congress which are said to be retaliatory or "vengeance" moves. These include bills to lower import quotas on cotton and to lower the tariffs on cotton and peanuts. One commentator quipped waggishly that it would be an ironic blessing to this country and world trade if the oleo fight set off a wave of legislative house cleaning that abolished a lot of trade barriers that 15 years of agitation had been unable to move. The oleo legislation is given a good chance of passing in the Senate. Retiring Secretary Anderson predicted privately last week that it would pass in the Senate.

USDA says that cash farm income during the first quarter of this year ran $2\frac{1}{2}$ per cent behind 1947, but an examination of regional figures shows that all the bump was taken by the North Central States (Grain Belt and Corn Belt). In all other areas income was above last year 3 to 8 per cent. West North Central States (mostly Grain Belt but includes Iowa) was down 15 per cent, and East North Central States (mostly Corn Belt) was down 3 per cent.

ERP Director Hoffman recently stated that on the basis of tentative schedules the ERP would absorb farm products from the U. S. in the total of 1.8 billion dollars during the first year of the program if we have normal weather during the current growing season. A very large proportion of this will be for wheat and flour. Farm products would account for about 25 per cent of the total shipments. Machinery and equipment, trucks and vehicles, petroleum, coal, cotton cloth, steel, and chemicals would account for another 50 to 55 per cent of the total value to be exported. According to present official but tentative schedules nearly 80 per cent of the value of exports under the program during the first year will go to Western Germany and five "Marshall Plan" countries: Great Britain, France, Italy, Holland, and Belgium.

After carefully watching the situation for several months USDA recently found it necessary to start an egg purchase program to keep farm prices of eggs from going below support level, 90 per cent of parity. Purchase program covers dried eggs, is operating principally in the Middle West, and requires dryers to pay farmers at least 35 cents a dozen.

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#125