

LIVESTOCK
UNDER THE AAA

BY

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DIRECTOR'S PREFACE

This is the fourth volume growing out of our "concurrent study of the Agricultural Adjustment Act." It deals briefly with the emergency pig and sow slaughter of 1933 (since this activity was covered in detail in our preliminary report of April 1934) and more fully with the corn-hog contracts of 1934 and 1935. It also covers such adjustment operations as were undertaken with reference to cattle and supplementary phases of the livestock program of the AAA—notably with reference to feed grains.

While the livestock program of the AAA has followed the same general pattern as those for wheat, tobacco, and cotton, the length of the production period and the intricate interrelationships among the several parts of the livestock industry raised for the AAA a host of distinctive and difficult problems. At the same time the economics of meat consumption curtailed the methods which the AAA felt could be employed to improve the economic status of livestock producers. A study of the livestock program of the Agricultural Adjustment Administration well illustrates the difficulties and repercussions, in agriculture alone, of attempts at economic planning. The broader social and economic effects will be discussed in a final volume in this series to be published in 1936.

During the second year of the adjustment effort a drought of exceptional severity injected a major disruptive force into the adjustment efforts of the AAA and radically altered the course of events in the livestock industry. This factor has been taken into account by the

author in appraising the early results of the AAA's livestock program and in evaluating its future worth. Likewise, he has made his evaluation in terms both of the objectives and procedures of the original act and of those modifications introduced by the extensive amendments of August 24, 1935.

This manuscript has been read and accepted by a committee consisting of Charles O. Hardy on behalf of the Institute of Economics and John D. Black and Joseph S. Davis, who have been associated with me in the general direction of the AAA study.

EDWIN G. NOURSE
Director

Institute of Economics
August 1935

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A. G. Black, Claude Wickard, C. F. Sarle, W. M. Morgan, Cecil A. Johnson, and other members of the Corn-Hog Section read all or parts of the manuscript dealing with the corn-hog program and contributed many helpful suggestions. R. C. McChord of the Cattle Section and M. T. Morgan of the original Meat Processing and Marketing Section, and M. S. Briggs of the Commodity Credit Corporation performed similar services in reading and commenting on the cattle chapters and the corn loan chapter respectively. Alfred D. Stedman, director of publicity for the AAA, and A. T. Thompson of his staff together read and commented on the entire manuscript. The author is also indebted to Preston Richards of the Bureau of Agricultural Economics for many helpful suggestions and especially for permission to use his Index of Export Demand, and to O. C. Stine, C. A. Burmeister, and F. J. Hosking of this bureau. Numerous members of the Division of Crop and Livestock Estimates both in Washington and in the field and members of the federal and state extension services and state colleges have likewise given invaluable co-operation.

For all this generous assistance the author is deeply grateful, but for the volume as it stands, including errors of omission and commission, he must assume full responsibility.

D. A. FITZGERALD

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CHAPTER I

THE BACKGROUND OF LIVESTOCK ADJUSTMENT

In discussions of agricultural relief legislation from their beginnings in 1920, the Wheat Belt almost invariably headed the list of distressed agricultural areas, with the Cotton Belt crowding close behind. The problems of the Corn Belt were apparently less pressing. Nevertheless, practically every proposal brought forward for ameliorating the condition of American agriculture has included hogs, and many have also included corn and cattle. The problem of corn, unlike that of wheat and cotton, cannot be dealt with merely in terms of a single commodity which moves directly from the producer to the manufacturer and consumer. Corn is primarily a raw material used by the farmer himself in producing livestock—chiefly hogs and cattle—and it is largely in this form that the corn crop goes to market. It is impossible, therefore, to speak of corn farming as of wheat farming or cotton farming. Corn Belt agriculture must be discussed as a joint industry in which hogs, cattle, and corn are combined.

In order to give a proper understanding and perspective of the place which this industry has occupied in the agricultural adjustment effort, the present chapter reviews the post-war period, noting on the one hand the economic conditions which have obtained in Corn Belt agriculture, and on the other the various proposals which have been made for the inclusion of corn, hogs, or cattle in the various farm relief measures brought forward prior to 1933.

POST-WAR CONDITIONS IN THE LIVESTOCK INDUSTRY

The livestock industry of the United States, and particularly the hog industry, is based on the concentrates supplied by an annual corn crop averaging 2.5 billion bushels. More than two-fifths of this premier American feed crop is now fed to hogs and almost one-fifth to cattle. About 10 per cent of it is sold for non-feed uses.

GROSS FARM INCOME FROM HOGS, BEEF CATTLE, AND CORN, 1924-32*
(Dollar items are in millions)

| Year | Hogs | Beef Cattle ^b | Corn for Non-Feed Uses ^c | Total | | All Agricultural Income |
|----------|---------|--------------------------|-------------------------------------|-------------|---|-------------------------|
| | | | | In Millions | As Percent- age of All Agricultural Income | |
| 1924.... | \$1,298 | \$695 | \$243 | \$2,236 | 19.7 | \$11,337 |
| 1925.... | 1,652 | 763 | 141 | 2,556 | 21.4 | 11,968 |
| 1926.... | 1,712 | 766 | 158 | 2,636 | 23.0 | 11,480 |
| 1927.... | 1,485 | 751 | 170 | 2,406 | 20.7 | 11,616 |
| 1928.... | 1,439 | 823 | 181 | 2,443 | 20.8 | 11,741 |
| 1929.... | 1,531 | 833 | 177 | 2,541 | 21.3 | 11,941 |
| 1930.... | 1,361 | 714 | 101 | 2,176 | 23.0 | 9,454 |
| 1931.... | 930 | 510 | 52 | 1,492 | 21.4 | 6,968 |
| 1932.... | 548 | 374 | 46 | 968 | 18.2 | 5,331 |
| Average. | 1,328 | 692 | 141 | 2,161 | 21.2 | 10,204 |

* Based on estimates of the Bureau of Agricultural Economics.

^b Estimated income from the slaughter of all cattle and calves reduced by 25 per cent. See p. 9.

^c Estimates furnished by the Bureau of Agricultural Economics. Corn re-sold for feed is not included. This latter represents part of the gross income of a certain group of farmers, but not of agriculture as a whole. No allowance has been made for the 50 or 60 million bushels fed to livestock not on farms. This item represents part of the gross income of agriculture.

Perhaps 21 per cent of the gross income of American farmers is obtained from hogs, beef cattle, and corn. Hogs contribute about 13 per cent, beef cattle perhaps 7 per cent, and corn as grain at least 1 per cent. The estimated income from sales of corn for non-feed uses, hogs, and beef cattle from 1924 to 1932 inclusive is shown in the accompanying table.

Between two-thirds and three-fourths of the average corn crop is grown in the ten states that comprise the Corn Belt—Ohio, Indiana, Wisconsin, Illinois, Minnesota, Iowa, Missouri, South Dakota, Nebraska, and Kansas.¹ Because of its intimate relation to corn production, the hog enterprise is likewise most important in this region. Three-quarters of the gross income from hogs and over five-sixths of the cash income go to producers in these states. The Corn Belt, obviously, produces an overwhelming proportion of the commercial hog supply.² It also supplies most of the corn for non-feed uses and sells corn for feeding purposes to the corn deficit states to the east and south.

The beef cattle enterprise, while more important in the Corn Belt than in any other region, is of a somewhat different character. Many of the beef cattle sold by Corn Belt farmers are not raised by them, but are brought in from the Western range states as "stockers" and "feeders" to be fattened. The value of these in-shipments has to be deducted from the gross value of cattle sold from, and consumed on, Corn Belt farms in order to obtain the increment of gross income creditable to the Corn Belt.³ Perhaps 42 per cent of the gross income of Corn Belt

¹ The geographical limits of the Corn Belt do not, of course, coincide with the political boundaries of these ten states. Wisconsin, for example, includes very little of the real corn-hog-beef-cattle area.

² According to the 1930 Census of Agriculture, three-quarters of the 6,288,648 farms enumerated grew corn in 1929, but only one-quarter farrowed hogs in the spring of 1930. In the North Central division three-quarters of 2,169,257 farms grew corn in 1929 and one-half farrowed hogs in the spring of 1930. But on the average each Corn Belt (that is, North Central) farm growing corn in 1929 produced 37 acres compared to 12 acres outside the Corn Belt, and each Corn Belt farm farrowing sows in the spring of 1930 farrowed 6 compared to 2 outside the Corn Belt.

³ Many Corn Belt farmers, of course, raise cattle, and in recent years an increasing number of the beef cattle sold off Corn Belt farms have been raised on them.

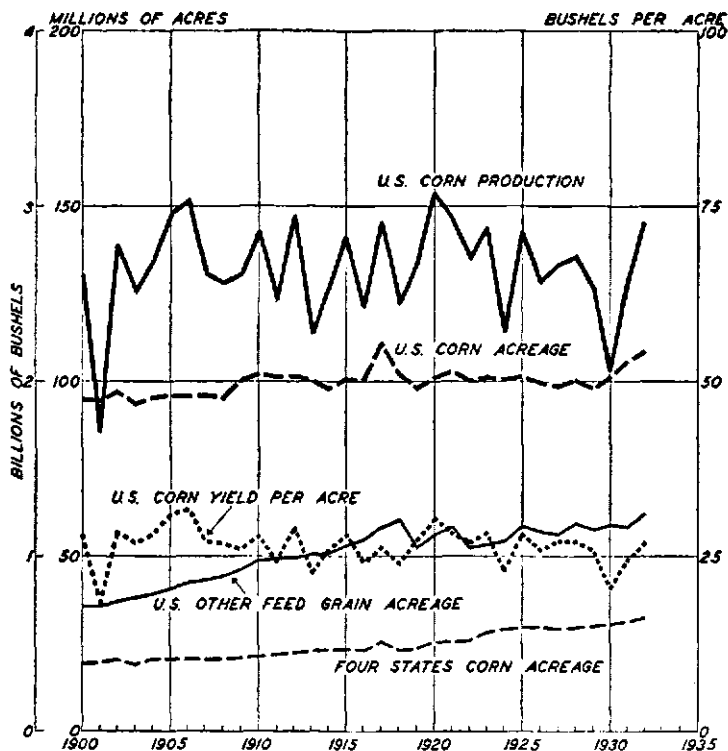
farmers is obtained from hogs, beef cattle, and corn sold for non-feed uses.

From 1909 to 1932 corn production ranged from 2 to 3 billion bushels annually. Most of this range in production was due to year to year variations in yields for, with few exceptions, just over 100 million acres of corn were harvested annually. While corn acreage showed no appreciable expansion or curtailment after 1909 (see the accompanying chart), there was some shift to the Northwest in its geographical location, the West North Central states having increased their corn acreage by nearly 10 million acres and the East North Central, the South Central, and the South Atlantic states having decreased theirs by a corresponding amount. On the other hand, yields tended to decline after 1920, and consequently production. Some of the especially low yields in recent years were due to very unfavorable weather; but there were some net declines due to the gradual depletion of soil fertility and to erosion which were not offset by better seed and cultural practices and the use of fertilizer.

In contrast to the relative stability of corn production during the last two decades, hog production increased nearly 45 per cent.* This increase took place irregularly, as shown by the chart on page 8, each high point being followed by a decrease in slaughter for two or three years. This more or less rhythmic movement of hog supplies is commonly called the "hog production cycle," and is intimately associated with the relative prices of corn and hogs. Because at least from 12 to 16 months must elapse between the time the producer plans the

* Based on pork and lard production estimates of the Bureau of Agricultural Economics for the years 1910-14 and 1928-32. (*Yearbook of Agriculture*, U. S. Department of Agriculture, 1934, p. 623.) Slaughter under federal inspection, which represents about two-thirds of the total, increased just over 45 per cent between the same two periods.

CORN PRODUCTION, ACREAGE AND YIELD, AND OTHER FEED GRAIN ACREAGE, ANNUALLY, 1900-32^a



^a Corn production, acreage, and yield from *Revised Estimates of Corn Acreage Yield and Production*, May 1934, a mimeographed release of the Bureau of Agricultural Economics. The four states for which corn acreage is given separately are Iowa, Minnesota, South Dakota, and Nebraska. "Other feed grain" (oats, barley, and grain sorghums) from *Yearbook of Agriculture*, U. S. Department of Agriculture, 1934, pp. 426, 435, 457. Acreage of grain sorghums prior to 1919 estimated by interpolating from a straight line trend between census reports of acreage planted to sorghums in 1899 and 1919.

size of his hog enterprise and the time the finished hogs are ready for slaughter, there is a lag in the market supply response to a favorable or unfavorable relation of

hog prices to corn prices. In the past, farmers have tended to adjust the size of their hog enterprise on the basis of the relation between hog and corn prices (the corn-hog ratio) at breeding time rather than on probable prices at the time these hogs are ready for market. Consequently, when an unfavorable corn-hog ratio discourages hog production, market supplies do not decline until 12 to 16 months later. In fact, during the interim they will tend to be increased by the liquidation of breeding stock. But when market supplies are finally reduced and hog prices rise, the hog enterprise again becomes attractive and farmers hasten to get back in again—by increasing breedings. Because hog production can be expanded and curtailed relatively quickly the hog cycle is short—from three to five years from peak to peak.

Though hog production tended to expand almost continually up to 1932, the rate of expansion appears to have been appreciably less after 1924 than from 1900 to 1920.⁶ During the decade embracing the World War the rapid increase in hog production was facilitated by an increase in corn production due to high yields, and by an increase in both the acreages and yields of other feed crops—notably oats, barley, and grain sorghums. From 1920 to 1932 the increase in hog production, though less rapid, was facilitated by a sharp decline in horses and mules on farms and in all livestock not on farms. This decline, together with a further slight increase in the production of feed grains other than corn (principally barley), somewhat more than offset the decline in corn production to 1910-14 levels.

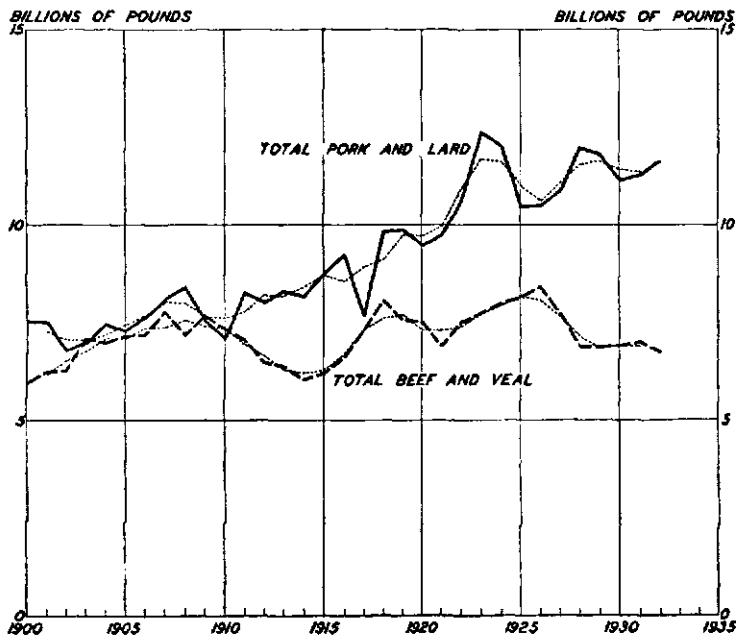
⁶ Federally inspected slaughter of hogs reached its all-time high (up to 1935) in 1923 and 1924. But these years, representing as they do the peak of a production cycle and the climax of the World War stimulus to hog production, should be largely ignored in evaluating the more lasting changes in hog supplies.

Moreover, both during and following the war significant changes occurred in hog production methods and feeding practices. The fine-boned, short, heavy-set "lard" type hog gradually gave way to a heavier boned, rangier type. The corn in the ration fed these hogs was materially reduced. Instead they were fed hulled oats, barley, and skim milk supplemented by clover and alfalfa pasture. Between 1910-14 and 1924-29, hog production increased 40 per cent but the amount of corn fed to hogs increased only 13 per cent.⁶ There was probably some increase in the efficiency of hog feeding, but its influence was largely obscured by the change in the type of hog raised, and by the higher feed cost of getting gains on fall-farrowed pigs, which have formed an increasing proportion of total farrowings in recent years.

The production of beef in 1928-32 was almost exactly the same as in 1910-14, though less than in any five-year period in the interim.⁷ (See the chart on page 8.) But between 1914 and 1932 production fluctuated widely from year to year, reaching an all-time high (up to 1933) in 1926. Some authorities believe that these changes were of a self-perpetuating "cyclical" kind, similar to the hog cycle but longer in duration because of the lower birth rate and longer growth period for cattle; others believe that, at least in the past, each apparent cyclical movement was in fact due to some specific cause. In any case, cattle numbers on farms reached high

⁶ Based on estimates of the U. S. Department of Agriculture that 41.6 per cent of the 1924-29 corn crops, as opposed to 36.8 per cent of the 1910-14 crops, was fed to hogs. *Corn and Hog Statistics* (C-H 11), AAA, p. 46.

⁷ Federally inspected slaughter of beef was 20 per cent larger, but this was due to a material increase in the proportion slaughtered under federal inspection. Total production has been estimated by the Bureau of Agricultural Economics as 6.66 billion pounds (dressed weight) annually from 1910 to 1914 and 6.88 billion pounds from 1928 to 1932.

ANNUAL PRODUCTION OF PORK AND LARD, BEEF AND VEAL,
1900-32^a

^a *Yearbook of Agriculture*, 1934, p. 623. Dotted lines are three-year moving averages.

points in 1904 and 1916, and cattle marketings reached high points in 1909, 1918, and 1926.⁸

The slaughter supply of cattle comes from two

⁸ A characteristic of past cattle production cycles has been that the very slowness with which cattle numbers can be increased has operated to accentuate the swings. At the top of the production cycle large marketings of "fat" cattle have been supplemented by unusually large marketings of cows and heifers as breeding herds were liquidated. This further depressed prices and made producers still more anxious to get out of the cattle business. In fact, they may have been closed out by creditors. At the bottom of the cycle high cattle prices made the enterprise appear so attractive that producers started withholding she-stock from the market to build up breeding herds, thus further reducing current market supplies, causing cattle prices to advance, and making beef production look still more profitable.

sources: (1) "beef" cattle proper and (2) "dairy" cattle slaughtered for beef. Existing statistics do not permit an allocation of the total production of beef to these two sources; but in view of the steady increase in the number of "dairy" cattle and calves on farms, it is apparent that an increasing proportion of the total beef supply must have come from dairy animals—especially during the six years from 1926 to 1932, when the total supply of beef was declining 20 per cent.⁹ Between 1910-14 and 1928-32 the proportion of the total supply of beef obtained from "dairy" cattle may have increased from 25 to 33 per cent.¹⁰

It is also obvious, regardless of the inadequacies of the data, that the cattle production cycle is almost entirely confined to beef cattle.¹¹ The decline in the number of cattle other than dairy cattle on farms has tended, however, to exaggerate the decline in beef production from beef cattle. Improved breeding and feeding have resulted in a stockier, more quickly maturing animal ready for market in two years rather than in three or four. This change has taken place without a corresponding decline in average market weights. Fewer extremely

⁹ Dairy cattle on farms (including heifers and calves kept for milk, these latter estimated for the years prior to 1920 on the basis of the number of milk cows reported) increased about 25 per cent from 1910-14 to 1928-32. Part of this increase may have been due to the tendency of producers to shift the same cows from one classification to another when reporting, depending on whether they were being milked at the time or being used only for raising beef calves.

¹⁰ Nearly all the income from sales of calves has to be credited to the dairy industry. Between 1924 and 1932 this represented from 12 to 15 per cent of the total income from cattle sales. If one-sixth of the cattle on farms reported as dairy cattle are sold for slaughter each year, perhaps one-third of the gross income from cattle slaughter between 1924 and 1932 should be credited to the "dairy" industry. The 25 per cent deduction made in the table on page 2 is therefore a minimum.

¹¹ Because beef from dairy cattle competes with beef from beef cattle there is a dairy cattle price cycle which is highly correlated with beef cattle prices.

heavy cattle now come to market, but the number of light cattle has also declined. Thus marketings relative to the number of beef cattle on farms have tended to increase.¹²

The total production of beef and pork (including lard) was 25 per cent larger from 1928 to 1932 than from 1909 to 1914. But whereas beef constituted nearly one-half of the total during the pre-war period, it formed only slightly more than one-third of the total from 1928 to 1932.¹³ Both the total meat supply and the proportion of beef to pork in it have fluctuated materially from year to year.

LIVESTOCK PRICES SINCE THE WAR

Livestock prices, especially in relation to the prices of goods and services which farmers buy, determine in major part the economic status of livestock producers. Both the prices and the purchasing power of livestock have declined sharply during the post-war period—a situation which the Agricultural Adjustment Act proposed to remedy. In order to understand these changes it is necessary to consider briefly the post-war developments in the domestic consumption and export of beef, pork, and lard.

Since meat is perishable, annual consumption (plus exports) fluctuates closely with production. Cold storage holdings of pork and lard amount at their peak in the spring to 10 per cent or more of the year's production; but year-end holdings of pork and lard rarely vary ma-

¹² This is likewise true of hogs. From 1900 to 1920, hogs on farms on January 1 and annual slaughter showed a close correspondence. After 1920, hogs on farms tended sharply downward, while hog slaughter continued to expand.

¹³ Supplies of lamb and mutton were 13 per cent larger in 1928-32 than in 1910-14, but at no time constituted more than 5 per cent of the total meat production.

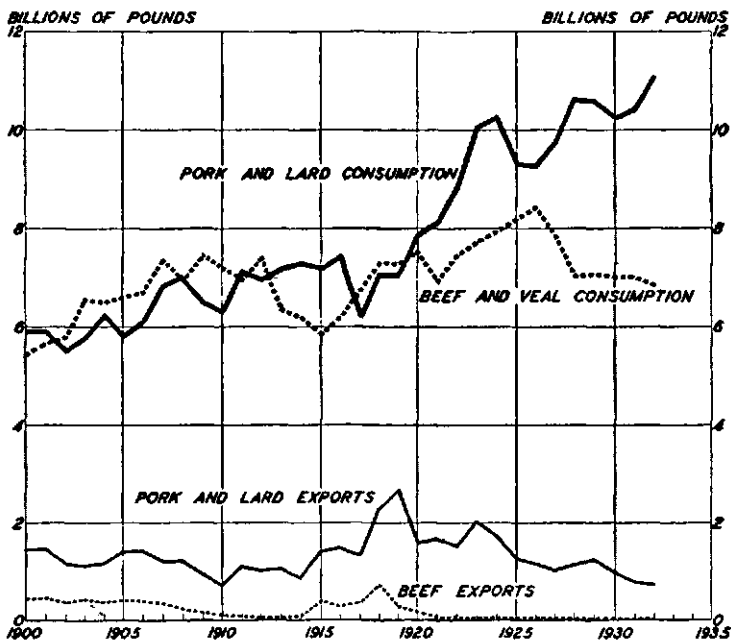
terially (relative to production) from year to year, and the storage operation is mainly a means used by the industry to iron out seasonal variations in supply.¹⁴ Storage operations in beef are of even less importance; storage stocks rarely if ever exceed 2 per cent of annual production.

Domestic meat consumption increased as rapidly from 1910 to 1932 as meat production. It was 27 per cent larger in 1928-32 than in 1910-14. But the increase was due entirely to a 50 per cent increase in the consumption of pork and lard, beef consumption actually declining about 10 per cent. This increase in pork and lard consumption was due to the increase in production since exports of pork and lard were slightly larger in 1928-32 than they were in 1910-14. (See the chart on page 12.) Since hog production had increased, however, exports constituted only 7 per cent of production in 1928-32 as against 10 per cent in the immediate pre-war years.¹⁵

Under the stimulus of war-time demand, pork meat exports jumped sharply, reaching an all-time high of 1.9 billion pounds or 24 per cent of production in 1919. By 1926 the proportion exported was down to immediate pre-war levels, about 6 per cent of production, and by 1932 was down to 1.7 per cent (see chart). The proportion of the annual lard production exported, though unusually high from 1919 to 1923, was maintained at or

¹⁴ Total reported cold storage holdings never indicate the immediately available supply of pork since frequently half of the reported holdings are in process of cure, though the time in cure can be speeded up or slowed down to some extent if the situation seems to warrant it. Nor can stocks be held indefinitely without deterioration in quality. It is usually undesirable to hold dry salt pork for more than six months after it is put in cure, and undesirable to hold pickled pork in the freezer for more than seven or eight months.

¹⁵ Lard constituted 55 per cent of all pork and lard exports in 1910-14 and 72 per cent in 1928-32.

ANNUAL CONSUMPTION AND EXPORTS OF MEAT AND LARD,
1900-32^a

^a Meat and lard consumption as estimated annually by the Bureau of Agricultural Economics. Pork and lard exports from *Corn and Hog Statistics* (C-H 11), AAA, p. 32. Beef and veal exports compiled from reports of the Bureau of Foreign and Domestic Commerce.

above the 1910-14 level until 1930, and the absolute volume of lard exports tended to increase.¹⁶ From 1929 to 1932 the proportion of lard exported declined from 33 per cent to 23 per cent and the amount by 300 million pounds.¹⁷ The temporary stimulus to pork (and to a lesser extent lard) exports immediately following

¹⁶ During the five years 1919-23, 36.8 per cent of lard production was exported compared to 32 per cent in 1910-14; but because hog production was large, the amount exported in 1919-23 was 60 per cent, or 300 million pounds larger than in 1910-14.

¹⁷ The absolute volume of lard exports in 1929 was exceeded only in 1920, 1923, and 1924.

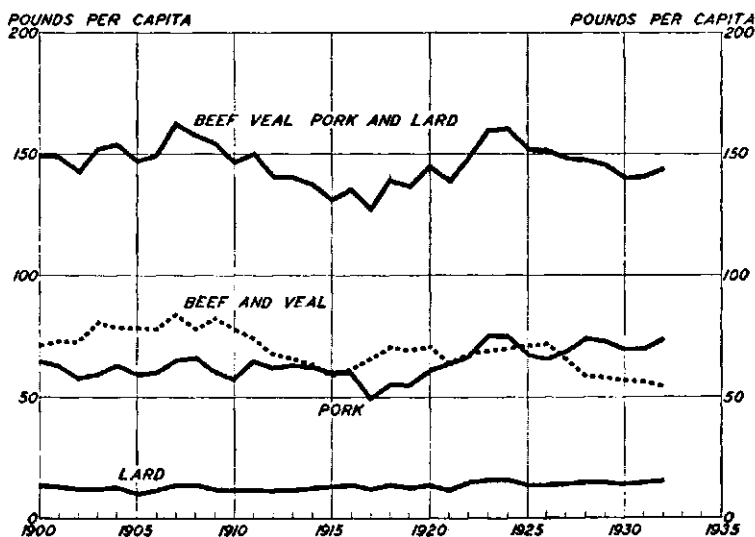
the war was due to the almost complete liquidation of the hog enterprise in Germany. By 1927 hog production in Germany and Denmark had reached the pre-war level and by 1932 was exceeding it by 30 per cent. As a result of this rehabilitation and of the post-war trend toward national self-sufficiency, foreign trade in hog products declined materially from the high levels existing about 1920. Germany, a particularly important market for United States lard, rapidly increased its lard tariff. By July 1933 this tariff was almost twice the export value of the commodity at current exchange rates. In March 1934 Germany initiated a system of lard import quotas which still further restricted exports of United States lard to that country. In 1932, Great Britain, the United States' most important market for pork products, initiated a system of import quotas as one step in an effort to increase domestic pork production and prices and to stimulate Empire trade.

Almost all the annual production of beef in the United States from 1900 to 1932 was domestically consumed except during the five war years 1915-19, when net exports accounted for from 5 to 8 per cent of domestic production. Immediately prior to the World War, imports fractionally exceeded exports. After 1920, net exports were never more than 3 per cent of United States production.

Between 1910-14 and 1928-32 meat production, it will be remembered, increased 25 per cent, and meat consumption 27 per cent. During the same period the population of the United States increased 31 per cent. Per capita consumption consequently declined slightly—less than 1 per cent. But between the same two five-year periods per capita consumption of beef declined 20 per cent and that of pork and lard increased 20 per cent. (See

the accompanying chart.) Per capita consumption of beef declined because beef production (and exports, with the exception of the years 1915-19) remained relatively constant. Per capita consumption of pork and lard declined during and immediately following the war when increases in exports more than offset the increase in pro-

ANNUAL PER CAPITA CONSUMPTION OF MEAT
AND LARD, 1900-32^a



^a Yearbook of Agriculture, 1934, p. 623.

duction; jumped sharply from 1921 to 1923 when production increased more than 30 per cent; and remained above pre-war levels thereafter because production was tending upward and exports (particularly of pork meats) were dropping steadily. The increase in per capita consumption of pork and lard from 1930 to 1932 reflected the continued decline in pork exports, a major recession in lard exports, and the upward phase of the hog pro-

duction cycle. Total consumption of pork and lard reached an all-time high (up to that time) in 1932, and per capita consumption was also high.¹⁸

These changes in production, consumption, and exports were reflected (1) in the *relative* prices of hogs and cattle. In fact, between 1910 and 1932 the increase in the per capita supply of pork and lard and the decline in the per capita supply of beef appear to have been the most important causes of the increase in cattle prices relative to hog prices. The average farm price of hogs in 1928-32 was almost exactly the same as in 1910-14; that of cattle was 35 per cent higher.¹⁹ In 1928-32 the average farm prices per hundredweight of cattle and hogs were almost identical; in 1910-14 cattle prices at the farm were 28 per cent lower than hog prices.²⁰ The changes in production, consumption, and exports were reflected (2) in the *general level* of hog and cattle prices.²¹ These changes were, however, but one of four sets of factors of major, if not equal, importance in this connection.

The level of hog and cattle prices was influenced, first, by a miscellaneous group of factors that similarly af-

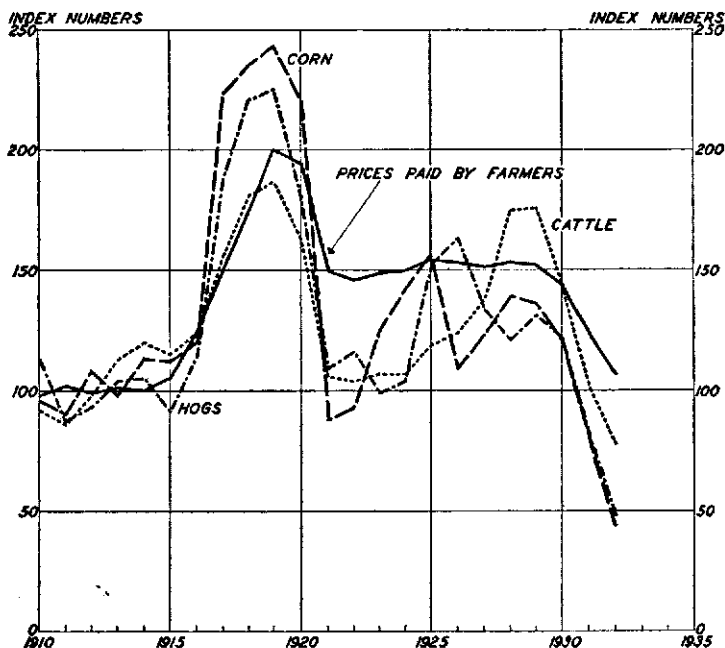
¹⁸ The published estimates of per capita consumption are slightly higher for 1923, 1924, and 1928, but revisions being made (1935) by the Bureau of Agricultural Economics indicate that, for 1923 and 1924 at least, these estimates are four or five pounds per capita too high.

¹⁹ The years 1928-32 comprised the five-year period immediately preceding the passage of the Agricultural Adjustment Act. Livestock prices were high for almost three of these years and very low for two. The average for these years has been used for comparative purposes because it was more nearly representative of conditions in the livestock industry than that for the pre-depression years 1928-29 or the two depression years 1931-32.

²⁰ Most of the decline in the per capita supply of beef between 1910 and 1932 occurred after 1926. Most of the increase in cattle relative to hog prices likewise occurred after that date.

²¹ The price of corn (and feed grains) between 1910 and 1932 largely reflected feeding demand. In all but two years during the whole period, net exports of corn constituted less than 2.5 per cent and frequently less than 1 per cent of production. Less than 10 per cent was consumed in industrial and commercial uses.

FARM PRICES OF HOGS, CATTLE, AND CORN COMPARED WITH
 PRICES PAID BY FARMERS, 1910-32^a
 (1910-14 = 100)

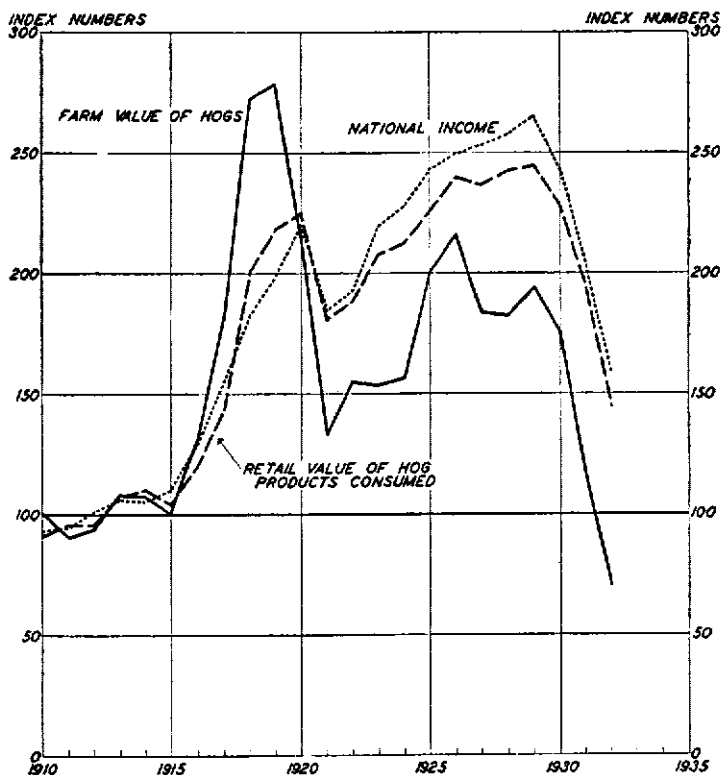


^a From *Index Numbers of Prices Received by Farmers for Farm Products, 1910 to 1934*, mimeographed release of the Bureau of Agricultural Economics, Sept. 1934, pp. 27, 28, 64.

affected the level of prices for all goods and services. The influence of these factors is particularly apparent in the rapid rise in prices during the war, in the decline following it, and in the decline from 1929 to 1932. (See the accompanying chart.)²²

²² Corn prices during the World War, along with other grain prices, rose higher relative to 1910-14 levels than livestock prices. After the war they fell more precipitously and after 1921 tended to remain somewhat lower relative to livestock prices than they were in the immediate pre-war period. This tendency was even more marked with respect to the relation of oat and barley prices to livestock prices, and was a reflection of the increase in the production of "other feed grain" supplies relative to corn production.

RELATION OF FARM VALUE AND RETAIL VALUE OF HOGS
TO NATIONAL INCOME, 1910-32^a
(1910-14 = 100)



^a Indexes of national income and aggregate retail value of hog products from "The Direct Marketing of Hogs," *Miscellaneous Publication No. 222*, U. S. Department of Agriculture, 1935, p. 218. Index of farm value of hogs obtained by weighting farm price (*Miscellaneous Publication No. 222*, p. 219) by annual production (*Yearbook of Agriculture*, 1934, p. 623).

A second major factor that affected both hog and cattle prices was the income of consumers. Between 1910 and 1932 consumers spent at retail a relatively constant proportion of their total income for hog products, regardless of whether the supply was large or small. Changes

in the aggregate retail value of hog products consumed in the United States were closely associated with changes in the total income of consumers.²³ (See the chart on page 17.) This held true even when the obvious relation of the "general price level" to consumers' income as well as to hog prices is allowed for. Between 1922 and 1930, when the general price level was changing but slowly, changes in the aggregate retail value of hog products and changes in consumers' income were highly correlated. Thus the unit price at retail of a constant annual supply of hog products tended to vary directly with, and in proportion to, the income of consumers.²⁴

The third major factor affecting hog and cattle prices from 1910 to 1932 was the cost of processing and distribution. This unit cost did not vary greatly from one year to another except from 1917 to 1921. It did increase, however, from \$1.81 in 1918 to \$6.07 in 1921, or 225 per cent in the case of hogs; and from \$3.50 in 1917 to \$7.72 in 1921, or 120 per cent in the case of cattle.²⁵ In 1910-14 the average spread between the farm price of hogs and the retail price of the product of 100 pounds of live hogs was \$1.71; in 1928-32 it was \$5.21, an increase of 200 per cent. Between the two periods the spread between cattle prices and retail beef prices increased from \$3.10 to \$7.91, or 150 per cent.

The increase in the spread between retail and farm prices reflected particularly the increased labor costs of

²³ In general the same relationship held for beef, but the correspondence was not so close.

²⁴ "The Direct Marketing of Hogs," *Miscellaneous Publication No. 222*, U. S. Department of Agriculture, 1935, pp. 122-24.

²⁵ As measured by the spread between 52.64 pounds of hog products and the farm price per hundredweight of live hogs and the spread between 46.25 pounds of beef and the farm price of cattle. The 52.64 pounds of hog products and the 46.25 pounds of beef represent the weights at retail of the major products obtained from 100 pounds of live hogs and live cattle respectively. The same, Chap. VII.

retailers, wholesalers, and processors. Wage rates doubled between 1914 and 1919, and remained at or above the 1919 level through 1931. The increase in the spread likewise reflected increases in freight rates and rents. It reflected, moreover, an increase in the number of processing and distributing services, in sales in smaller units, in packaging, in advertising, and in the cost of new methods of curing. These spread-widening influences were not offset by the economies in processing and distribution effected during the same period.

Because of this increase in spread, prices to producers for hogs would have been one-third less in 1928-32 than in 1910-14, if consumers' income and pork supplies had been the same. But the income of consumers in 1928-32 was more than double their income in 1910-14, pork supplies domestically consumed were more than 50 per cent greater, and the farm price of hogs was consequently about the same.

The fourth factor affecting prices was, of course, the supply of hogs and cattle. Since consumers paid at retail, at any given level of income, the same total amount for a small supply of hog products as for a large supply, and since the total cost of processing and distributing a small supply (after the unit cost settled down following its rapid rise from 1917 to 1921) was less than for processing and distributing a large supply, producers got a larger total income from hogs when production was small than they did when it was large. A larger total income divided among a smaller number of units meant an even greater increase in hog prices than in the gross income from hogs.²⁶

²⁶ To the gross income producers received from domestic consumers must be added the amounts producers received from sales for export. When exports of hog products increased for several years after 1914, hog producers profited in two ways. (1) Their total gross income from hogs was

It was not, therefore, the post-war level of livestock prices itself that caused most of the difficulties of livestock producers, but rather the disparity between hog and cattle prices and producers' "costs." These latter, while they increased during the war, failed to decline as much as livestock prices after it.²⁷ Although throughout the period 1921-30 producers were being paid more for their livestock than in the pre-war period, the income they received did not go nearly so far in meeting expenses. The costs of things farmers bought and the prices received for livestock sold remained out of line with each other, as compared to the relationship between them in the immediate pre-war period. (See the chart on page 16.) In terms of the goods farmers buy, during 1928-32 a hundred pounds of hogs bought only 71 per cent of what they bought during 1910-14, and a hundred pounds of beef, 97 per cent.²⁸

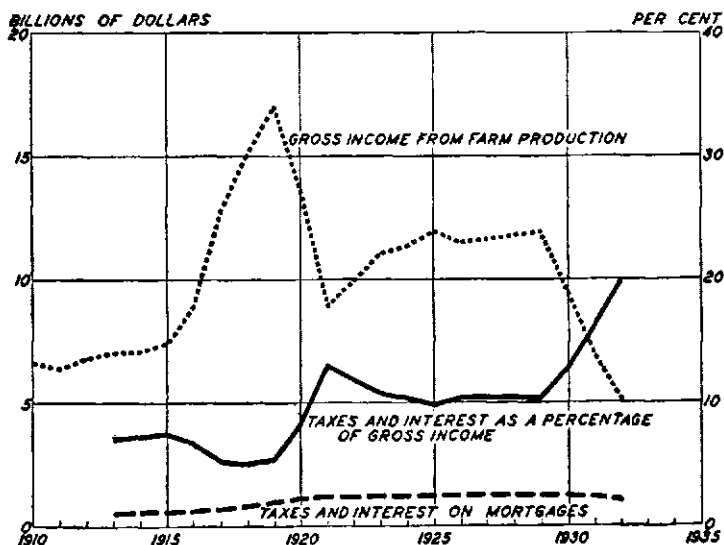
increased because domestic consumers paid as much for the amount supplied them as they would have paid for a larger supply and an increased revenue was obtained from sales for export. (2) Since the unit cost of domestic processing and distribution would have increased about as it did regardless of the volume of exports, producers actually received more of the total amount paid by domestic consumers because the aggregate cost of processing and distributing the smaller domestic supply was less than it would have been for the larger supply. When exports declined after 1923, the situation was reversed and producers' gross incomes were reduced thereby.

²⁷ The prices of most agricultural commodities declined more than those of non-agricultural commodities in 1920 and 1921. There were, of course, improvements in the efficiency of agricultural production which offset in small part the failure of farmers' "costs" to decline as much as the decline in agricultural prices. There was less increase in the efficiency of livestock production than in grain production.

²⁸ It must be remembered, though, that the 1909-14 relationship between the prices paid by farmers and those received from agricultural products in general was the most favorable in the history of the country. See, for example, J. S. Davis, "An Evaluation of the Present Economic Position of Agriculture," *Journal of Farm Economics*, 1933, Vol. 15, p. 247. Compare note 21, p. 296 below.

Taxes and interest payments, two items not included in the usual index of "prices paid by farmers," increased rapidly between 1916 and 1920. Moreover, taxes continued to increase, though much less rapidly, until 1929, and interest payments until 1928.²⁹ (See the accompany-

COMPARISON OF GROSS INCOME FROM FARM PRODUCTION
WITH TAXES AND INTEREST ON FARM MORTGAGES,
1913-32^a



^a From *Yearbook of Agriculture*, 1934, p. 698.

ing chart.) In 1913 taxes and interest payments on mortgages were equal to 7 per cent of the gross agricultural income for that year. From 1926 to 1929 they were equal to more than 10 per cent of the gross agricultural income.

²⁹ The interest rate failed to decrease after 1920. Since farmers found it necessary to increase their borrowings in order to finance current operations, the total volume of interest payments continued to expand.

The indications are that the disparity between the American farmers' prices and costs, at least for livestock, was being gradually reduced between 1921 and 1929. By the latter year, in fact, the composite price of meat animals was as high relative to the prices of things farmers buy as in 1910-14. But the depression which started in the fall of 1929 quickly wiped out all of these gains. The general price level dropped materially but, as usual in these cases, agricultural prices (including the prices of hogs and cattle) dropped precipitously. Consumers' income declined 40 per cent between 1929 and 1932, but the spread between retail values and farm prices declined little until 1931. The supply of pork available for domestic consumption increased on the one hand because exports dropped sharply, and on the other because production was increasing. By 1932 the farm price of hogs was less than one-half the price in 1910-14 and not much more than one-third of the price in 1929. The "purchasing power" of 100 pounds of hogs declined from 85 per cent of the pre-war level in 1929 to 44.5 per cent in 1932.³⁰ The situation that developed with respect to beef cattle was similar in kind, though somewhat different in degree. Reflecting the decline in production, the farm price of cattle in 1929 was high, being exceeded only in 1918 and 1919; and the "purchasing power" of 100 pounds of beef cattle in 1929 was without exception the highest in three decades. Farm prices of cattle declined more than 50 per cent between 1929 and 1932, but even in the latter year the purchasing power was still 75 per cent of pre-war. The real crisis in the cattle industry was not to develop until 1934.

³⁰ Corn and feed grain prices dropped to the lowest levels in 30 years in 1932. Along with wheat they shared the somewhat doubtful distinction of being lower relative to 1910-14 prices than any other major agricultural commodity.

Tax and interest payments likewise increased relative to income. Between 1929 and 1932 the total tax and interest bill declined some 20 per cent, but at the same time gross agricultural income declined 57 per cent. By 1932, farm taxes and interest payments on farm mortgages were equal to 20 per cent of the gross farm income, and interest on other types of farm indebtedness was probably equal to another 5 per cent. It would have required 25 per cent of farmers' income in 1932 to pay taxes and interest.³¹ Of course they were not paid, as indicated by the rising tide of tax delinquency sales and mortgage foreclosures.

FARM RELIEF PROPOSALS PRIOR TO 1933

The demand for federal legislation to cure the economic ills of agriculture, either directly or indirectly, began almost immediately after the precipitous price decline in 1920. A continuous flow of legislative relief proposals started shortly thereafter. Discussion, both in and out of Congress, soon centered on plans which proposed to raise the domestic prices of the major farm products and at the same time to permit any "surpluses" of them to be "dumped" abroad. Major consideration was given to an "equalization fee" plan introduced in Congress by a number of McNary-Haugen bills.³² The central idea

³¹ Since less than one-half the farms in the United States are mortgaged, the payment of taxes and interest on mortgaged farms would have required at least one-third of their gross income.

³² See J. D. Black, *Agricultural Reform in the United States, 1929*, for a history as well as an analysis of legislation embodying these plans. See also "The McNary-Haugen Plan as Applied to Wheat, Operating Problems, and Economic Consequences," *Wheat Studies of the Food Research Institute*, February 1927, Vol. III, No. 4; Alonzo E. Taylor, *Corn and Hog Surplus of the Corn Belt*, 1932; Chester Davis, "Hogs and Corn in the Export Plan," *Wallaces' Farmer*, Apr. 1, 1927, pp. 7 and 13-14; L. J. Dickinson, "Handling Corn and Hogs under the McNary-Haugen Plan," *The Country Gentleman*, July 1927, p. 53; J. S. Davis, *The Farm Export Debenture Plan*, 1929.

of the equalization fee plan was to sell the surplus above domestic consumption in foreign markets at world prices and recoup the losses thus sustained by levying a fee on the part sold at world prices plus the tariff in the domestic market. Minor attention was later given to an "export debenture" plan which involved paying exporters a bounty on exports of specified farm products in the form of "debentures" which would be sold to and used by importers to pay customs duties on imports. The prices of the specified farm products were expected to be raised to the extent of the bounty. The direct cost of this plan was to fall on the federal government since its revenue would be reduced by the amount of the debentures used.

The first McNary-Haugen bill was introduced into the House in 1924 and defeated about four to three. This bill included corn, cattle, and swine as three of the eight agricultural commodities to which its provisions were to apply.³³ The 1925 version of the equalization fee plan did not come to a vote. In 1926 a revised bill was defeated in both the House and Senate. Again corn, cattle, and swine were included. Revised editions were passed by both the House and the Senate in 1927 and 1928 and on both occasions vetoed. The 1927 version included corn and hogs but not cattle. The 1928 bill was broadened to include all agricultural commodities without specifically mentioning any. It contained provisions for an equalization fee, but emphasis was shifted in part to "marketing agreements" by which co-operative associations or, in the absence of a capable co-operative organization, "other agencies," could conduct stabilization operations as well as stimulate exports.

No bill involving the export debenture plan was passed by the House, though a number of bills considered

³³ The others were wheat, cotton, wool, sheep, and rice.

between 1926 and 1929 contained some version of the plan. The 1928 versions usually provided for export bounties on corn, swine, and cattle, or products manufactured from them.³⁴ The Senate version of the Agricultural Marketing bill of 1929 contained, in modified and optional form, an export debenture provision, but it was eventually eliminated upon the insistence of President Hoover.

Very little of the discussion before House and Senate committees concerned the probable results of either the export debenture or the equalization fee plan on livestock and feed grains. Most witnesses confined their remarks to the general features of each plan or their application to wheat and cotton. This was true of the American Farm Bureau Federation, which consistently advocated the equalization fee plan, and the National Grange, which after 1926 supported the export debenture plan. Several Corn Belt farm papers commented editorially on both plans, and with few exceptions favored the equalization fee. These papers did not, however, reflect the interest—or rather lack of interest—of their Corn Belt subscribers. Late in 1927 less than 300 of the 110,000 subscribers of one Mid-West farm paper were interested enough to return ballots indicating the farm relief plan they favored.³⁵

Early in 1929 agricultural committees of both the House and the Senate were giving some consideration to a third plan—domestic allotment—when legislative interest in all these plans waned temporarily. It became evident that the Hoover Administration was determined to have a bill passed which embodied its plan for “farm relief.” This plan had been outlined by President Hoover.

³⁴ Wheat, rice, cotton, fruits, poultry, and tobacco were likewise included.

³⁵ *Nebraska Farmer*, Dec. 31, 1929, Vol. 69, p. 1931.

er at St. Louis on November 2, 1928 and was embodied in the Agricultural Marketing Act of June 15, 1929. This act created a Federal Farm Board with mandates to assist agriculture through the fostering of co-operative marketing and, in case of emergency, to engage in price stabilization operations (either through especially created corporations or through existing co-operatives), and authorized the appropriation of 500 million dollars to be used as a revolving fund for the purpose. With the coming of the Roosevelt Administration the Federal Farm Board was terminated. Its functions of fostering and financing co-operative organizations were taken over by the new Farm Credit Administration, and its stabilization corporation device was abandoned.

After the passage of the Agricultural Marketing Act, there was a short-lived lull in legislative activity. But the critical situation engendered by the rapid and continuous price decline from the fall of 1929 to the spring of 1933 was added to the maladjustment that existed after 1920. A few isolated proposals in 1930 and early 1931 became a veritable flood by late in 1931. The Senate Committee on Agriculture and Forestry considered no less than eight bills at one hearing in April 1932. Most of these bills proposed to amend the Agricultural Marketing Act so as to include one or more of the three plans already outlined—equalization fee, export debenture, domestic allotment—but at least two proposed the abolition of the Federal Farm Board as the best plan for farm relief.

By the fall of 1932 several versions of the "domestic allotment" plan had gained considerable support. This plan proposed to set up a system of differential prices. For the portion of his production which bore the same relation to his total production as United States con-

sumption bore to United States production, the grower was to receive the world price plus an amount per unit approximately equal to the tariff. For the remainder he was to receive the world price only. It was first formally presented to legislators early in 1929. The plan as then presented was suggested as applicable to only two of the major agricultural products—cotton and wheat.³⁶ During 1932, several bills incorporating this proposal were up for consideration. Most of them specifically included hogs, but not corn or cattle. Proponents of the domestic allotment plan stressed the belief that, in contrast to the equalization fee and export debenture plans, it would not stimulate production, because payments were to be made on the basis of past rather than current production.

Late in the same year revised versions of the bill contained provisions for the definite control of production by participating farmers. These revisions resulted in a fundamental change in the nature of the legislation, although this was not generally realized for some time. The most elaborate of these, H. R. 13991, was passed by the House on January 12, 1933. Hogs and corn, but not cattle, were included in the list of commodities to which its provisions were to be applied.³⁷ The plan proposed to pay co-operating producers the difference between the price "at local markets" and the "fair exchange value," that is, a price that would give the domestically consumed portion of the total supply its 1909-14 purchasing power by means of transferable "adjustment certificates" to be redeemed at specified times by the Treas-

³⁶ For beef an import duty was suggested; for corn, pork, and lard, the export debenture plan. 73 Cong. 1 sess., *Farm Relief Legislation*, Hearings before Senate Committee on Agriculture and Forestry, pp. 33-91.

³⁷ The original version also listed wheat, cotton, and butterfat. Rice, peanuts, and tobacco were added before it was passed by the House.

sury Department or its agent. This was the domestic allotment feature of the bill, the "price differential" to be the difference between the farm price and the "fair exchange value" rather than the tariff rate. In return, cooperating producers agreed to reduce the hog tonnage they marketed in 1933-34, 20 per cent below that of the preceding year and their corn acreage 20 per cent below the average for a previous representative period to be determined by the Secretary of Agriculture. This bill had the support of all the major farm organizations and much of the farm press, though the Farmers Union wished to amend it by making "cost of production" rather than 1909-14 purchasing power the objective. The bill was vigorously opposed by the packing industry, its speakers insisting that the tax on processing to collect funds to redeem the adjustment certificates would be borne by the producer through lower hog prices. A small number of producers appeared in opposition to applying the bill to hogs; but a distinctive feature of this discussion, along with all previous ones, was the apathy of the vast majority of hog producers toward legislative proposals for their relief. This bill was considered in the Senate, but because of the attitude of the outgoing Administration never came to a vote.

CHAPTER II

THE ADJUSTMENT ACT AND ADMINISTRATION

The Agricultural Adjustment Act was by no means a novel measure constructed of fresh materials. It grew directly out of the domestic allotment bill referred to in the previous chapter. But this proposal was modified in numerous and important ways in order to secure a broader support among agricultural and other groups. For the first time production control of itself was considered as a device for obtaining the desired objectives rather than as a supplement to the domestic allotment plan for increasing farm income. Indeed, for a selected list of agricultural commodities, production control assumed primary importance. Gradually also, the process of legislative compromise added to the original measure other proposals wholly unrelated to either the allotment or production control ideas. The bill as finally enacted did not prescribe a single type of farm relief. Instead, it constituted a general enabling act under which the Secretary of Agriculture might employ, in modified form at least, production control, allotment, export dumping, stabilization holding, co-operative control, differential prices—in fact, practically any or all of the devices included in the principal relief bills and acts which had preceded it.

This permissive character of the act grew out of the democratic manner in which the Administration sought to develop its program of farm relief. President Roosevelt had undertaken in his campaign speeches to give concreteness to the major agricultural plank of the Democratic platform by outlining a modified domestic allot-

ment plan. At the same time, however, he had pledged himself to seek the advice and assistance of farm leaders in the development of the specific form of agricultural legislation to be adopted.¹ After his inauguration, the President showed himself still desirous of securing approval by the major farm organizations and allied interests of such measures as the Administration might fix upon. This resulted in the convening of a significant group of farm leaders, industry proponents of farm relief, and technical advisers of the Administration at Washington in the winter of 1932-33. It was the conferences of this group which resulted in the inclusion in the act of 1933 of many of the farm relief proposals which had been made during the preceding decade.²

At first glance it may appear that one important difference distinguishes this new and comprehensive measure from most earlier proposals. In those cases it had been proposed not merely that a specific remedy should be applied but that it should be permanent in character. The Agricultural Adjustment Act, however, was explicitly an emergency measure, as stated in its preamble, in the "declaration of emergency," and in the section providing for the termination of the act "whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended." In some quarters, however, although it was deemed advisable to phrase the act as an emergency measure in order to assure its enactment, it was hoped and indeed expected that the recovery devices themselves would prove so useful that they would be permanently retained for the continuous adjustment of agriculture to chang-

¹ Governor Franklin D. Roosevelt, "Agriculture," speech at Topeka, Kans., Sept. 14, 1932. See *Commercial and Financial Chronicle*, Sept. 17, 1932, Vol. 135, pp. 1922-25.

² See also J. S. Davis, *Wheat and the AAA*, Chap. II.

ing conditions. Such a view was borne out by the act itself, which stated its purpose to be not merely to *restore* but to *maintain* the parity position of agriculture. This view is important because the group that held it first played a part in drafting the legislation and later held policy making positions in the Department of Agriculture.

The fact that the Adjustment Act authorized the Secretary of Agriculture to employ such a wide range of devices, without giving a positive mandate with reference to any of them, gave him, to a greater degree than most acts, the privilege and problem of enunciating objectives and defining policies as well as devising procedures and programs.

OBJECTIVES OF THE ACT

While the wording of the act and the language of its proponents plainly indicated that the basic intention was to restore a large measure of economic prosperity to the farmer, the attempt to translate this major purpose into a specific objective was attended with considerable difficulty. The ambiguity of the act is perhaps nowhere more apparent than in Section 2 (1) immediately following the "declaration of emergency." This section declares that the policy of Congress shall be

. . . to establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. . . .

Legislation to establish this balance can, but legislation to maintain it emphatically cannot, be considered "emergency."

But this by no means ends the difficulties of interpreting the phraseology of this section. The common conception of the Agricultural Adjustment Act is that its principal objective is to increase the prices paid to farmers for agricultural commodities—more careful phraseology adding “in relation to the prices of things farmers buy.” But prices are one thing, gross income another, net income still a third, and purchasing power several more. The price is but one factor determining the total amount a farmer receives; the other is the quantity he sells. Farmers’ gross incomes can be increased only if increases in prices are not offset by decreases in the volume of sales. Increases in price are tantamount to increases in gross income only if volume remains unchanged. Net income involves farmers’ “costs” as well as total receipts from sales; and “purchasing power” is subject to still other determinants—the prices of things he buys.

Most statements, official and otherwise, interpret the language of this section of the act to mean re-establishing the farm *price* of a unit of each commodity at the pre-war level adjusted by the increase between 1910-14 and the present in the cost of articles farmers buy.³ This interpretation is reinforced by the assumption that the “parity” price which will give an agricultural commodity this equal purchasing power is identical with “fair exchange value” as defined for the purpose of determining tax rates in another section of the act.⁴ But the attainment of this objective might conceivably cause a decrease in the

³ An index of the retail prices paid by farmers for commodities used in living and production prepared by the Bureau of Agricultural Economics has been used by the AAA to adjust July 1909-August 1914 base prices. This index does not include farm wages, taxes, or interest charges.

⁴ H. B. Rowe (*Tobacco under the AAA*, p. 15) points out that there is no necessary connection between the two.

gross income of producers of the commodity. This could happen, for example, if supplies had to be radically reduced in order to obtain the desired increase in price.

Though "parity price" is subject to these and other limitations,⁵ it has some obvious advantages. It can be statistically determined with a reasonable degree of accuracy. It is relatively simple though the amount of misunderstanding with respect to it was, and still is, great. Finally, it has several advantages over an alternative that had considerable political support; namely, cost of production. To those who thought parity price was bad enough, cost of production was infinitely worse. Not long after the act was passed, the AAA made a vigorous defense against the charge that, since agricultural prices bore a more favorable relationship to non-agricultural prices during the period from August 1909 to July 1914 than at any previous time, its use as a basis for readjusting farm prices was tipping the scales heavily in favor of the farmer. Its reply was that for over a century the relative price of farm products had tended unmistakably upward, because the cost of producing industrial products had fallen more rapidly than the cost of producing farm products. Since because of the nature of industrial and agricultural production, these cost trends would undoubtedly continue in the future, the argument continued, the use of 1909-14 prices actually resulted in a relationship less favorable to agriculture than it should be.⁶

Another interpretation—that prices were to be established at a level which would make the total purchasing power of agricultural commodities, either individually

⁵ See Davis, *Wheat and the AAA*, pp. 433-41.

⁶ Mordecai Ezekiel and Louis H. Bean, *Economic Bases for the Agricultural Adjustment Act*, U. S. Department of Agriculture, December 1933.

or as a group, equal to their total purchasing power in the pre-war base period—is likewise open to grave objections. The total income to farmers from sales of hogs in 1928-32, for example, actually had a greater purchasing power than did the total income from sales of hogs in 1909-14. In 1932 the attainment of this objective would have required six-dollar hogs contrasted with eight-dollar hogs if the objective had been parity price per unit.

Probably objectives even more difficult to define and establish were, and still are, in the minds of many. Quite commonly it was stated that farmers were not getting their "fair share of the national dividend." Perhaps the goal was its redistribution on a basis equivalent to its distribution in 1909-14.⁷ Certainly parity prices were not the real objective of members of the "agricultural planning" group. To them the well-being of farmers involved a consideration of many factors impossible to measure in monetary terms. Their ultimate objective can perhaps be expressed as social and economic conditions for the American farmer that would put him on a plane of living equivalent to that of other social groups.

In Section 2 (2) of the act it is declared to be the policy of Congress,

. . . to approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

⁷ See Henry A. Wallace, "The National Agricultural Program in Relation to the Northeast," an address at the Agricultural Conference of Northeastern States, New York City, Nov. 8, 1934. Secretary Wallace "refined" this objective by allowing for the long-time trend in the relation between agricultural and national income.

The American Farm Bureau Federation espouses an even more "radical" objective; namely, the redistribution of the national dividend to give farmers an income proportional to the relation that the agricultural population bears to that of the nation. See *Bureau Farmer*, December 1934, p. 3.

For several months following the enactment of the act the Administration emphasized publicly the "rapid rate" of readjustment. This was no doubt due in part to the desire to satisfy the demand for quick action, but it seems also to have been due in part to lack of appreciation of both the principles involved and the difficulties of administration. Secretary Wallace the day after the act was signed spoke of the "wide and swift adjustments" which it proposed. It was felt by many, both within and without the Administration, that certain provisions of the act, particularly with respect to marketing agreements,⁸ could effect sharp increases in prices without undue difficulty. Other provisions were looked upon as almost as efficacious. Indeed, at one time or another in 1933, serious consideration was given to proposals to fix prices at parity or close thereto so that farmers could immediately get the benefits expected in the near future from the various price-raising schemes.

By the spring of 1934, the emphasis had shifted toward "gradual correction" of price disparities. Farm prices, relative to the prices of things farmers buy, were then but little higher than in the spring of 1933, and so parity prices were almost as far distant as ever. This shift in emphasis cannot therefore be attributed to the fact that the emergency situation had been largely rectified; rather it must have been due to the more complete realization of the nature of the task, its inherent difficulties, and the relative slowness with which major readjustments take place. In those sections of the country, as for example the Corn Belt, where for one reason or another the price response to the program was obscured or delayed, the failure of results to live up to

⁸ See E. G. Nourse, *Marketing Agreements under the AAA*, Chap. II.

producers' hopes was interpreted in many quarters as evidence of the program's failure. Such gains as were actually made were overshadowed by disappointment because all the promises held out by the Administration were not fully realized.

The third and last sub-section of Section 2 declares that it is the policy of Congress

. . . to protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumer's retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer above the percentage which was returned to the farmer in the pre-war period, August 1909-July 1914.

A literal interpretation of this language, however, would provide no protection to the consumer at all; if anything, it would afford a measure of security to distributors' margins. Producers are not to be permitted to get a larger percentage of consumers' retail expenditures for agricultural commodities than they obtained on the average from 1909 to 1914. This obviously has nothing to do with the general level of retail prices in relation to consumers' incomes, but only with the division between producers and distributors of the consumer retail expenditures for agricultural commodities. But even the efficacy of this section for protecting distributors' margins is doubtful, since in most cases the proportion of the consumers' retail expenditures for agricultural commodities going to the distributor has increased materially since the "base period."

Official interpretations, moreover, do not clear the matter up. In one place⁹ reference is made to the "percentage that farmers should receive of the consumers'

⁹ Ezekiel and Bean, *Economic Bases for the Agricultural Adjustment Act*, p. 31.

dollar," the context adding by implication, "spent for agricultural products." A few lines later, after calling attention to the decline in the percentage of consumers' dollars spent for food received by producers between 1929 and 1933, this interpretation goes on to say that . . . in most commodities, full restoration of the farmers' previous [Does this mean 1929?] percentage would cause only modest increases in cost to consumers and could not lay a heavy or unfair burden on them.

An increase in retail prices (per unit) large enough to enable farmers to obtain the 1929 percentage of them would not, of course, raise farm prices to parity.

Perhaps the most rational interpretation of the intent of this section is that consumers were not to be required to pay farmers a larger percentage of their incomes for agricultural products than they did in the base period. But this interpretation likewise raises a host of problems which it is inappropriate to consider at this time, primarily because protection of the interest of consumers was not a live issue during the initial stages of the adjustment effort.

PROVISIONS OF THE ACT

In order to carry out its objectives, the act granted the Secretary of Agriculture broad discretionary powers to initiate a variety of procedures, either singly or in combination. In the first place, for a selected list of "basic agricultural commodities" initially defined in Section 111 as wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products,¹⁰ he could provide for a reduction in production¹¹ "by agreement with producers or other

¹⁰ Or any regional or market classification, type, or grade thereof. Other commodities were added later. See p. 183.

¹¹ The amount of the reduction was left to the discretion of the Secretary. In this respect the act differed from many earlier proposals, which specified the amount of reduction.

voluntary methods" and make rental or benefit payments to co-operating farmers at "fair and reasonable" rates.¹² The selection of this group of major farm products for special attention closely followed the precedent established in many legislative proposals of the preceding decade, and was ostensibly based on the belief that "the prices of these basic commodities are a controlling factor in establishing prices for other domestic agricultural commodities."¹³ Actually, a more important consideration was the attitude of interested producer groups and the political support these groups could obtain for their stands.

Funds for making rental and benefit payments to farmers in return for reductions in production were, in the main, to be obtained from a tax "levied, assessed and collected upon the first domestic processing of the commodity."¹⁴ Section 9(b) provided that the rate of "processing tax" was to be determined by the Secretary by means of a formula which provided that the tax, with one important exception, should "be at such a rate as equals the difference between the current average farm price for the commodity and [its] fair exchange value." The latter was defined as "the price that will give the

¹² Sec. 8(1). The policy of the Administration has been to fix the rates of rental and benefit payments at levels that will assure co-operating farmers, except under the most unusual circumstances, larger incomes than non-co-operators. This has increased producer participation and thus the effectiveness of the control programs.

¹³ 72 Cong. 2 sess., *Agricultural Adjustment Relief Plan*, Hearings before the Senate Committee on Agriculture and Forestry on H.R. 13991, p. 1 (1933). The position is sometimes taken that the Secretary is permitted to make benefit payments to producers without requiring them to reduce production—to adopt the original domestic allotment plan. This was probably the intention at the time the bill was being drawn. The Administration has not seen fit to make use of this procedure, however, no doubt in part for other than legal reasons.

¹⁴ Sec. 9(a). However, Sec. 12(a) provided that an initial appropriation of 100 million dollars could be drawn upon for the purpose.

commodity the same purchasing power, with respect to articles farmers buy, as such commodity had during the base period," August 1909-July 1914.¹⁶ By an exception made in Section 9(b), however, the tax was to be re-adjusted downward if the full legal rate would result in an accumulation of surpluses or in a depression of the farm price, to a rate that would prevent such an occurrence.

The net effect of these provisions was to fix a maximum above which the rate could not go. As a matter of fact, because of the ambiguity attaching to the word "current,"¹⁶ even the maximum rate was more or less indeterminate. The tax was to take effect at the beginning of the marketing year next following the date upon which the Secretary proclaimed that rental or benefit payments were to be made with respect to the basic commodity in question, and was to terminate at the end of the marketing year current at the time the Secretary proclaimed that rental payments were to be discontinued. This much was clear, but the rate of tax during the interim emphatically was not, for though Section 9(b) of the act stated that the tax should be at such a rate as equalled the difference between current average farm price and fair exchange value, Section 9(a) stated that "the rate so determined shall, at such intervals as the Secretary finds necessary to effectuate the declared policy, be adjusted by him to conform to such requirements." The issue comes to a head when farm prices rise relative to fair exchange value. Was it intended that the rate of tax be readjusted to the difference between farm and parity prices at reasonable intervals, say at the beginning of a

¹⁶ Sec. 9(c). For tobacco the base period was August 1919-July 1929.

¹⁶ In the tobacco program it was interpreted as the average of the preceding year; in the wheat and cotton programs as the most recent date for which data were available at the time the rate was set.

new marketing year, or that, once set, it could remain so more or less indefinitely unless the effectuation of the declared policy indicated the desirability of a change? The AAA officially holds to the latter view though some of its leaders are inclined to doubt whether this was really the intention at the time the act was passed.

The remaining tax provisions were not primarily for raising revenue; rather, they were for the purpose of "equalizing" competition. A "compensating" tax equal to the processing tax was to be levied on imports (Section 15-e) and an equivalent floor tax on stocks in store (except retail stock held less than 30 days) when the processing tax first took effect (Section 16). A compensating tax on competing products was to be levied if the Secretary found, after investigation and hearings for interested parties, that the payment of the processing tax was causing or would cause to *processors* disadvantages in competition from competing commodities by reason of excessive shifts in consumption (Section 15-d). Provision was made for refunds on exports (Section 17-a) and on deliveries to charitable organizations (Section 15-c).

In addition to their use for making rental and benefit payments, the act provided (Section 12-b) that the proceeds of all taxes (but not all the proceeds of these taxes) were "to be available to the Secretary of Agricultural for expansion of markets and removal of agricultural surpluses."¹⁷ It will be remembered that the levying and collection of processing and related taxes depended upon the decision of the Secretary to make rental and benefit payments. It was the opinion of the Agricultural Adjustment Administration that the imposition of these taxes

¹⁷ The initial appropriation authorized by the act was apparently not available for these purposes.

was only legal if a "substantial" proportion of them were used for rental and benefit payments. Only the remainder consequently could be "diverted" to the expansion of markets and the removal of surpluses. These procedures were supplements to, rather than alternatives of, production control.¹⁸ They have, in fact, played a very minor role. Indeed the proceeds of processing taxes have thus far been used to "remove agricultural surpluses" only when the product could be disposed of to families on relief rolls, and to "subsidize" exports in only one instance, namely wheat in the Pacific Northwest.

Nothing in the act prevented the diversion of some of the proceeds of taxes collected on one commodity to the expansion of markets for, or the removal of surpluses of, another commodity, either basic or "non-basic." For that matter, nothing prevented some of the proceeds of taxes collected on one basic commodity from being used to finance some of the rental and benefit payments on another.¹⁹ In practice, with one exception, no such diversions of taxes on one commodity to another have been made or contemplated by the AAA. The one exception was the diversion of the proceeds of some of the taxes on hogs to make most of the rental payments for corn reduction. The intimate relationship of corn and hog production was considered sufficient justification for this action.

Finally, Section 8(2) of the act empowered the Secre-

¹⁸ H. B. Rowe (*Tobacco under the AAA*) and others point out that the use of processing taxes to finance expansion of markets, that is exports, is essentially "McNary-Haugenism," and that the authority to remove agricultural surpluses permits the initiation of a procedure essentially equivalent to the stabilization operations of the Federal Farm Board. The aptness of the comparison is, however, somewhat impaired by the supplementary status of these procedures in the present act.

¹⁹ This contingency was responsible for the introduction in January 1935 of a bill sponsored by a "cotton" senator to prohibit it.

tary "to enter into marketing agreements with processors, producers,²⁰ associations of producers, and others engaged in the handling of *any* agricultural commodity," and Section 8(3) authorized him to issue licenses permitting processors, associations of producers, and others to engage in the handling of *any* agricultural commodity. Such licenses were to "be subject to such terms and conditions . . . as may be necessary to eliminate unfair practices and charges that prevent or tend to prevent the effectuation of the declared policy." These provisions, be it noted, were not confined to the basic, but were applicable to all agricultural commodities. No marketing agreement "experiments" concerned with livestock have so far been put into effect, though for almost a year a considerable amount of time was spent on a proposed marketing agreement for the meat-packing industry. Consequently the marketing agreement and license sections of the act will be given little further consideration in this volume.²¹

ORGANIZATION FOR ADMINISTRATION

The Secretary of Agriculture was empowered by Section 10(a) of the act to establish the Agricultural Ad-

²⁰ The authority to enter into agreements with individual producers was added by an amendment approved Apr. 7, 1934.

²¹ See, however, D. A. Fitzgerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 95-100, for a chronology of the early negotiations with respect to the packers' marketing agreement, and pp. 176-78 below for the concluding phase of these negotiations. For the application of the marketing agreement provisions to other agricultural commodities see Nourse, *Marketing Agreements under the AAA*; Black, *The Dairy Industry and the AAA*; Rowe, *Tobacco under the AAA*.

As for corn (and other cereals), a marketing agreement under which distillers operated was in effect from Dec. 9, 1933 to Feb. 1, 1934. During this period distillers paid over 1 million dollars into the Treasury, where it became available for making benefit or rental payments with respect to cereal grains. This sum represented the difference between current average farm prices of the grains, including the processing tax, and the "fair exchange value" of these grains.

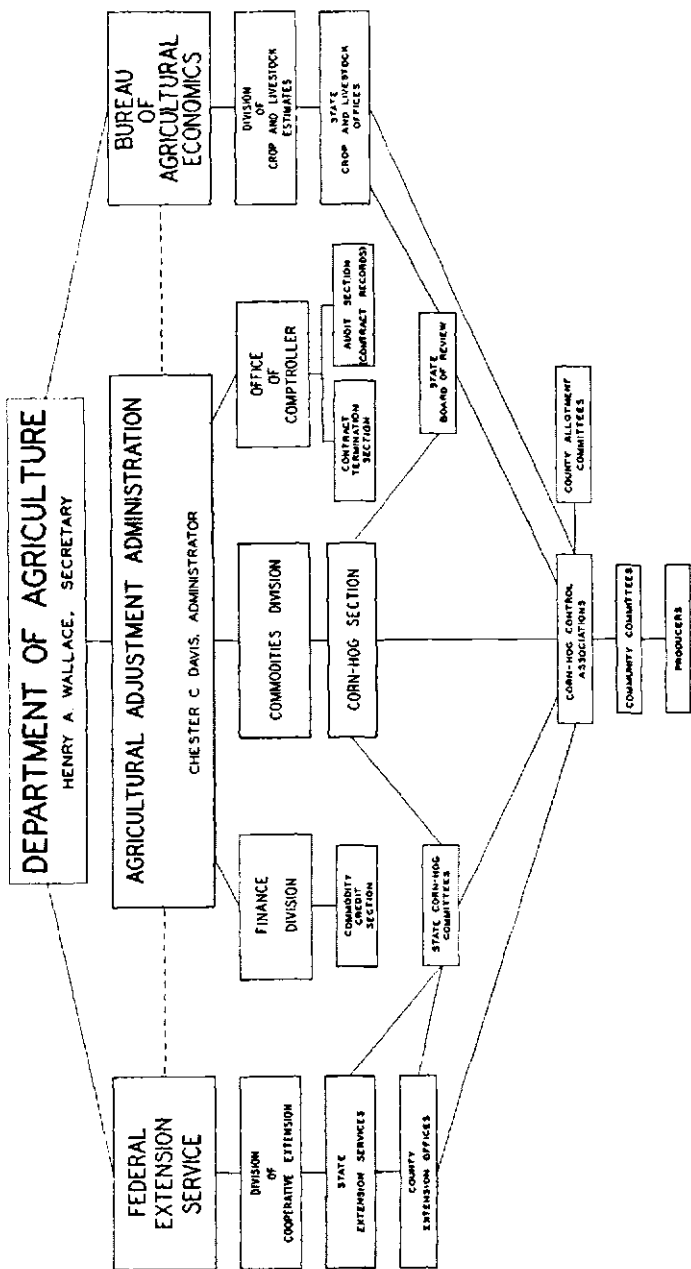
justment Administration in the Department of Agriculture.²² This was done immediately; in fact, the outlines of its structure as well as many of its major officials had been decided upon prior to enactment of the law. George N. Peek was appointed administrator, Chester C. Davis assistant administrator in charge of a "production" division, and W. I. Westervelt assistant administrator in charge of a "marketing" division.²³ The original organization plan contemplated a number of commodity sections in each division, the one group dealing with production control and related procedures, the other with marketing agreements and licenses. Though this set-up was never fully executed, a Corn-Hog Section was established in the Production Division and a Meat Processing and Marketing Section in the Marketing Division.

Early in 1934 the Agricultural Adjustment Administration was reorganized and the Marketing Division and some of its sections were abolished. Such activities of the abolished sections as were continued, along with the remaining sections, were transferred to the Production Division. Three new divisions were created and Mr. Davis was appointed administrator. The Corn-Hog Section was continued unchanged. The Meat Processing and Marketing Section was continued as a separate unit until June 25, 1934, when it was absorbed by the Commodities Purchase Section. The activities of the Meat Processing and Marketing Section had declined following the stalemate over the packers' marketing agree-

²² In this respect the AAA differs from the National Recovery Administration, the Federal Emergency Relief Administration, the Farm Credit Administration, and other important New Deal organizations which are not integral parts of the regular departments of the federal government. See L. F. Schmeckebier, *New Federal Organizations*, 1934.

²³ Charles J. Brand was for a time coadministrator. He resigned Sept. 30, 1933.

ADMINISTRATIVE ORGANIZATION FOR THE 1934 CORN-HOG REDUCTION PROGRAM



ment, and for some months prior to its absorption its duties had been largely confined to co-operating with, and giving technical advice to, the Federal Surplus Relief Corporation in the purchase of hogs and hog products. The focal points in this organization were the commodity sections. For this reason the accompanying graphical presentation of the organization of the AAA and the major co-operating arms of the government has been built up around one of them—the Corn-Hog Section. This section was responsible for the development of the corn-hog program—the major program for livestock—and for its administration.

Early in 1935 the AAA was again reorganized,²⁴ largely in what were considered the interests of operating efficiency. The most important change was the establishment of an Operating Council consisting of the Secretary of Agriculture, the Administrator, the Solicitor, and the division chiefs. The duties and most of the personnel of the Legal Division were transferred to the office of the Solicitor of the Department of Agriculture. The Comptroller's Office was combined with the Finance Division and the 14 sections in the unwieldy Production Division²⁵ were re-grouped along related commodity lines into five smaller units.²⁶ This reorganization had no effect upon the importance of the com-

²⁴ *AAA Press Release No. 1535-35*, Feb. 5, 1935.

²⁵ Additional sections had been added intermittently and the Rental and Benefit Audit Section transferred to the Comptroller's Office during the interim. The organization chart shows the set-up immediately prior to the second reorganization.

²⁶ After reorganization the divisions and their directors were as follows: Livestock and Feed Grains, A. G. Black; Cotton, Cully C. Cobb; Tobacco, Sugar, Rice, and Peanuts, J. B. Hutson; Grains, George A. Farrell; Marketing Agreements and Licenses, J. W. Tapp; Office of the Administrator, Chester C. Davis; Information, A. D. Stedman; Program Planning, H. R. Tolley; Finance, W. M. Buckles; Consumers' Counsel, C. B. Hoover. Dr. A. G. Black was made chief of the Bureau of Agricultural Economics on May 19, 1935 and G. B. Thorne was appointed acting chief of the Division of Livestock and Feed Grains.

modity sections in administering their respective programs, and altered in no material way the relation of the AAA to other government agencies and to producers.

As an integral part of the United States Department of Agriculture, the Adjustment Administration drew freely from the resources of other department bureaus. The "diversion" of the time and even the personnel of these old-line bureaus to the cause of the new was not always viewed with equanimity, even though the AAA helped finance the more burdensome of these new duties. With the passage of time this first irritation has largely subsided, to be replaced by a cordial and mutually helpful co-operation.

The Extension Service has been the old-line unit most deeply involved in the New Deal for agriculture. Since the summer of 1933 a major portion of the time and effort of the whole service has been devoted to the production control and related programs of the AAA. It has indeed been a vital factor in their promulgation and field administration.

The Federal Extension Service is the educational and promotional²⁷ branch of the Department of Agriculture. It has been responsible for disseminating to the 48 states the results of the investigations of other bureaus of the Department. For the most part, it works through the state extension services, though it uses pamphlets, the press, and the radio extensively in contacting producers directly. The state extension services perform a similar function within the state, passing along to the county extension service²⁸ and "local leaders" the results of state college and experiment station studies as well as those of the Department of Agriculture. The "county agent"

²⁷ Using the word with no invidious implications.

²⁸ The local representative of the extension service is variously called the county agent, farm adviser, and farm demonstration agent.

and local leaders are, typically, the last links in the chain and they contact directly individual producers.

The relations between the federal and the several state extension services are entirely "co-operative," though the latter are supported in part by funds from federal sources. The federal service has no control other than suasion over the state organizations.²⁹ Even state control over the "county extension service" is typically far from complete, since the county agent in most states is financed by local farm bureau and county funds, as well as by state and federal grants.³⁰ This lack of integration has, with few exceptions, been of little importance. Nearly all units of the service have co-operated fully with one another and with the AAA in presenting its program to farmers.

Prior to June 30, 1933 this loosely knit organization annually spent between 20 and 24 million dollars on co-operative extension work. Of the total the federal government contributed about 10 million dollars. During the fiscal year ending June 30, 1934, which roughly corresponds to the first year of its operation, the AAA supplemented the "regular" extension budget of 20 million dollars by appropriations of 9 million dollars. The following year this appropriation was increased to 16 million dollars. The funds transferred by the AAA to the extension services were used primarily to expand the personnel of the county extension service. It was this branch of the service which had been most severely affected by the depression, the number of county agents (and assistant agents) having declined from a peak of 2,612 on March 30, 1931 to 2,413 on June 30, 1933.

²⁹ The federal extension service cannot withdraw or threaten to withdraw federal support since the funds have been allocated by Congress.

³⁰ In the fiscal year 1931-32, federal grants to the states for extension work amounted to 9.65 million dollars, or 40 per cent of all expenditures in states for this work. State sources contributed 28 per cent; county sources, 27 per cent; and farmer organizations, 5 per cent.

Eighteen months later the number had increased to 3,173.³¹

The Bureau of Agricultural Economics was another unit of the Department of Agriculture called upon to furnish special services to the AAA. The Adjustment Administration leaned heavily upon the factual information and analytical studies of such units as the Division of Statistical and Historical Research in determining upon a course of action. The Bureau's major contribution to administration was made by the Division of Crop and Livestock Estimates.³²

The Bureau of Animal Industry was a third of these co-operating units. Its Meat Inspection Service bore the brunt of AAA demands upon this bureau.³³ Like the Extension Service and the Bureau of Agricultural Economics, the Bureau of Animal Industry was the recipient of AAA funds to finance, at least in major part, the additional work. The typical relation of these old-line units to the Adjustment Administration is shown in the chart on page 44.

This by no means exhausts the list of old and new federal, state, and local units that had charge of or co-operated in the conduct of one phase or another of the AAA programs. Any such list should include the Bureau of Internal Revenue, the Federal Emergency Relief Administration, and the Commodity Credit Corporation. The contributions of these organizations will become apparent as the livestock program is considered in succeeding chapters.

³¹ Including temporarily appointed "emergency" agents and "emergency" assistant agents, but not including 826 "assistants in cotton." The expansion in the field organization of the extension service incident to "meeting the economic emergency" closely parallels the expansion 20 years earlier incident to "winning the war."

³² See Chaps. VI and Appendix B.

³³ See Chaps. IV and X.

The administrative superstructure of the AAA rests upon a foundation of 4,700 county control associations. These associations constitute an innovation in administrative organization and are considered the key to effective production control. Membership in these commodity associations is limited to producers co-operating in the production control programs of the AAA, and varies from 7 to 3,000. Each has typically a board of 5 to 15 directors and an executive committee of 3 to 5 members of the board (the county allotment committee) in which is lodged most of the authority delegated by the AAA.³⁴

These associations form the connecting link between the rank and file of producers and the commodity sections of the AAA. They are responsible *to* the commodity sections, and responsible *for* the conduct of the program in the community. The degree of responsibility and initiative delegated to the county allotment committee has varied from time to time and from program to program, but the avowed objective of the AAA is to place more and more responsibility in local hands.³⁵

Both the program and the procedure for administering the program for each commodity have developed within the broad limits of the framework outlined in the preceding paragraphs, but in no two cases has the development proceeded along entirely similar lines. The major variants in the program for livestock, and in the procedure for administering the program, will become apparent in the chapters which follow.

³⁴ Authority so to organize producers "for the more effective administration of the functions vested in the Secretary" was given in Sec. 10(b) of the act.

³⁵ In addition to administrative responsibilities a second, and even more important, function of these control associations is asserted to be that of co-operating in the determination of the objectives and procedures of the whole agricultural adjustment effort.

CHAPTER III

THE LIVESTOCK PROGRAM

The livestock program developed by the AAA from 1933 to 1935 was based primarily on those provisions of the Adjustment Act authorizing a "reduction in production for market." Production control, however, was supplemented from time to time by the use of those provisions authorizing the Secretary to "remove agricultural surpluses." This reliance on the efficacy of curtailment of production to attain the ostensible goal of parity prices for agricultural commodities was not confined to livestock. It likewise characterized the wheat, cotton, and tobacco programs. Indeed, it was by no means absent from the programs developed under the marketing agreement provisions of the act.

The measures undertaken by the AAA to increase livestock prices and the incomes of livestock producers between May 1933 and May 1935 may be grouped under four main heads as follows:

1. The reduction of 1934 market supplies of hogs.
 - The emergency hog marketing campaign.
 - Relief purchases of hogs and hog products.
2. Production control in 1934 and 1935.
 - The 1934 corn-hog reduction program.
 - The 1935 corn-hog adjustment program.
3. Drought cattle purchases in 1934.
4. Corn loans in 1933-34 and 1934-35.

The separate parts of the whole livestock program were not simultaneously conceived and co-ordinated. The emergency hog marketing campaign, the 1933-34 corn loan program, and the drought cattle purchase plan, at least, were developed on the spur of the moment to

relieve acute emergencies which arose in connection with hog prices in the summer of 1933, corn prices in the fall and winter of 1933-34, and the unprecedented drought in the summer of 1934. Moreover, for nearly a year proposals for assisting the cattle industry could be based only upon the marketing agreement provisions of the Agricultural Adjustment Act, since the list of basic agricultural commodities did not originally include cattle. It will be necessary therefore to consider separately many of the parts that constitute the whole program for hogs, cattle, and corn, while remembering the intimate relations between the production of these agricultural commodities and the consumption of cattle and hog products.

The ultimate decision of the Agricultural Adjustment Administration to rely upon a reduction in hog production as a means of attaining the objectives of the act was based upon the belief (1) that there was a "surplus" of hogs and (2) that a reduction in hog supplies would increase both hog prices and the incomes of hog producers. The "surplus," to be sure, had not resulted in large accumulations of stocks as had been the case with such relatively non-perishable commodities as wheat and cotton. Rather, because of the perishable nature of the product, it had resulted in extremely low prices. The excess supply of hog products was attributed on the one hand to the decline in horse numbers, which released a large quantity of corn (most of which was fed to hogs). On the other hand, exports of hog products had dropped sharply, thereby forcing a larger proportion of the increased supply into domestic consumption. The belief that curtailment of production would increase hog prices and hog producers' incomes was based upon the observed relationship between hog supplies and prices in the past.

The reduction in corn production was felt to be a necessary concomitant of a reduction in hog production. Otherwise, the pressure of an excess supply of corn would soon defeat any attempt to control hog supplies.¹ Under the circumstances, the employment of the "centralizing power of the government" to obtain a result that could not be accomplished through the uncoordinated efforts of individual producers was felt to be justified.

The development of the livestock program lagged somewhat behind the development of the programs for wheat, cotton, and tobacco. This slowness was due only in part to the difficulties inherent in planning a program for an industry with interlocking relationships such as exist between all livestock production and all feed production. In the first place, the efforts of the AAA immediately after its organization were devoted largely to the development of the program for wheat and cotton. Because these crops were beginning to mature in the South, immediate action was essential if their prices and their producers' incomes were to be increased in 1933.

In the second place, there was more consensus of opinion, both within and without the AAA, with respect to the measures to be undertaken for wheat and cotton (particularly the former), than there was for livestock. It was almost a foregone conclusion that a "voluntary domestic allotment with production control" plan would be initiated with respect to wheat. But despite the fact that nearly every relief proposal since 1920 had included hogs as one of the commodities to be singled out for special attention, there was no plan that had the

¹ Indeed, the view was soon advanced and later rather widely held that the basic problem was that of controlling corn production. See Chap. VIII.

support of a substantial number of growers, farm leaders, or agricultural economists.

In the third place, the different viewpoints of administrative officials with respect to the causes and cure for the economic difficulties of livestock producers tended to delay the adoption of a livestock program. Secretary Wallace was convinced that the Corn Belt's difficulties were due to a surplus of corn and hogs. Appearing before the Senate Committee of Agriculture in favor of the bill, he stated:

I would like to tell you gentlemen with the greatest possible emphasis, that the over-production in the corn-hog region is more serious in my opinion than one person in a thousand appreciates. . . . I estimate that it will be apparent within the next two or three years that we have at least 20 million surplus acres of corn either in the form of corn or in the form of livestock made out of corn.²

Administrator Peek, however, felt that the difficulties were due to the loss of the export market and to the increase in the costs of distribution. Appearing before the Senate Committee on Finance he stated that emergency agricultural relief legislation was "necessary and imperative pending the development of a comprehensive national program for agriculture and the opening of normal markets through international trade agreements, reciprocal tariffs, application of foreign debt to payment in whole or in part of our exports. . . ."³ Before the Senate Committee on Agriculture he said:

I think that the difficulty with hogs lies in the processing industry, in the distributing system, and I regard the straightening

² 73 Cong. 1 sess., *Agricultural Purchasing Act to Increase Farm Purchasing Power*, Hearings before Senate Committee on Agriculture and Forestry on H.R. 3835, p. 141 (1933).

³ 72 Cong. 2 sess., *Investigation of Economic Problems*, Hearings before Senate Committee on Finance, p. 126 (1933).

up of the distributing system the essential thing in connection with hogs.⁴

Though the opinion held, and consequently the remedy advocated, by Secretary Wallace finally prevailed, these differences of opinion did not facilitate the inauguration of a corn-hog program.

In the fourth place, by the time the Adjustment Administration had turned somewhat belated attention to livestock, the AAA had evinced a determination to secure the active participation of producers in both the administration and the development of commodity programs. Since no existing producers' organization was felt to be qualified to represent the corn-hog growers of the Corn Belt, additional time was consumed in organizing such a group and orienting its members with reference to the problem. The absence of group action or thinking by producers on the subject reflected the apathy of the whole Corn Belt toward proposals for relief during the decade of the twenties.⁵

The initial steps in the development of the corn-hog program were taken shortly after A. G. Black took up his duties as chief of the Corn-Hog Section on June 14, 1933.⁶ Prior to the passage of the Adjustment Act, a committee composed of members of the Bureau of Agri-

⁴ 73 Cong. 1 sess., Hearings before Senate Committee on Agriculture and Forestry on H. R. 3835, p. 76.

⁵ Even if the AAA had felt it desirable to attack the whole livestock problem as a unit, such an approach was rendered extremely difficult, if not impossible, by the exclusion of cattle and all feed grains except corn from the list of basic commodities in the original Agricultural Adjustment Act.

⁶ Dr. Black was on leave of absence from his position as head of the Agricultural Economics Section, Iowa State College. Guy C. Shepard, who until his retirement in 1931 had been associated for many years with the Cudahy Packing Co., had been appointed chief of the Meat Processing and Marketing Section on May 22, 1933, and was already co-operating with the packing industry in an attempt to develop a marketing agreement for meat processors.

cultural Economics had been appointed by the Secretary of Agriculture to determine ways and means of improving the economic situation of hog producers under the powers Congress was expected to grant to the Secretary of Agriculture. Shortly after the act was passed a number of the members of this committee met with a group of Corn Belt economists in Chicago for the same purpose. While the deliberations of these two groups probably clarified the thinking of a number of individuals who later assisted in the development of the corn-hog program, they did not as a whole contribute directly to the corn-hog program actually developed.

The real beginnings of the corn-hog program are to be found in the joint deliberations of the National Corn-Hog Committee of Twenty-five and the Adjustment Administration which were held late in July 1933.⁷ Both the members of the committee and the representatives of the AAA agreed at this time that, in view of the lateness of the season and the prospective short corn crop in 1933, an emergency measure to increase corn prices by destroying part of the growing crop was unnecessary.⁸ The conferees did feel, however, that immediate efforts should be made to increase hog prices, for two reasons: (1) they were at their lowest levels in 50 years and prospective marketings indicated a continuation of these low levels, and (2) because of the

⁷ This committee was organized under the auspices of the AAA to give proper representation to producers in the formulation of a program. Its members were elected by a meeting of the accredited delegates from ten Corn Belt states held in Des Moines, Iowa on July 18, 1933. See D. A. FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 10-12.

⁸ Their decision was no doubt influenced by the fact that the farm price of corn was nearly 300 per cent higher in July than it had been in the previous January. This rapid advance in corn prices was due in part to unfavorable weather, but, as became apparent later, more largely to the speculative boom which collapsed shortly thereafter.

length of time necessary to produce a hog crop, hog prices could not be favorably affected by a program to curtail hog production until after the fall pig crop of 1933 had been marketed in the spring and summer of 1934. In order to get a less delayed response in hog prices than would result from a production control program, they recommended that 2 billion pounds of pork be removed from the domestic market during the 1933-34 marketing year, by any one or more of five methods: (1) selling or donating pork to relief agencies under agreement that their normal meat purchases would not be reduced; (2) making low-grade hogs and hog products into tankage and the lard from them, if necessary, into soap; (3) making benefit payments to farmers for the marketing of light pigs and "piggy" sows; (4) increasing exports; and (5) levying a substantial processing tax on all hogs marketed at weights above 235 pounds.

The emergency hog marketing campaign evolved by the AAA was a combination of the first three of these suggested methods. The objective of this campaign was the reduction of market supplies of hogs, largely in 1934 through the purchase of 4 million pigs and 1 million brood sows at premium prices in late August and September 1933. (See Chapter IV.)

Chronologically, the next step in the evolution of the corn-hog program was the development of the 1934 corn-hog reduction program. The Secretary of Agriculture had taken pains upon more than one occasion to point out that the emergency measures taken by the AAA would in the long run do producers more harm than good if they were not followed at once by a more permanent plan involving production control. The Corn-Hog Committee was in substantial agreement with this

view, and convened in Chicago September 20-21, 1933, for the purpose of developing a program of production control. Several members of the AAA met with the committee and Secretary Wallace himself attended some of the meetings. Most members of the committee and all representatives of the Administration accepted the thesis that, in view of prospective supply and demand conditions, a reduction in the production of both corn and hogs was necessary, and that this should be accomplished by invoking those provisions of the act which permitted the Secretary to enter into contracts with individual producers to reduce production. Beyond that point, however, individual opinions differed widely, and working out a program proved a difficult task. At least five proposals were made which differed enough from one another to be considered separate plans. Numerous modifications and combinations of these plans were suggested before the compromise program recommended to the Secretary was decided upon.

Little difficulty was encountered in arriving at the conclusion that corn production should be reduced by acreage rental—the proposal being to reduce corn production in 1934 by 600 million bushels from the post-war level, paying producers for the acres rented to the Secretary at the rate of 30 cents a bushel on average yields. The real controversy developed in attempting to agree on methods of curtailing hog production. Here two important questions presented themselves. First, was an accurate record of individual farmers' production in some previous year or years available which would furnish a "base" from which to compute the amount of reduction which each contracting farmer should make? Second, would it be possible to see that individual producers actually reduced hog production as they had con-

tracted to do (that is, to check compliance)? The majority of the committee decided that "no" was the answer to the first question and probably the second also, but that it mattered little about the second since the answer to the first was negative. Consequently the committee advocated two temporary expedients designed to reduce hog tonnage while the necessary base period production figures were being obtained and a method of checking compliance was being developed. These suggested expedients consisted of paying "benefits" of \$1.00 a hundredweight on all hogs marketed weighing 220 pounds or less, and of requiring contracting farmers to reduce the number of hogs marketed by an amount equal to their reduction in corn production (at some such ratio as one hog for every 20 bushels of corn). The committee further recommended that the program be made immediately effective by pegging hog prices at parity f.o.b. Chicago, and that it be financed by a hog processing tax of \$2.00 a hundredweight.

The AAA modified the program recommended by the committee in some respects and completely changed it in others. It accepted the proposal for reducing corn production with slight modifications, but it reversed the committee's decision that it was impossible to get a reasonably satisfactory record of individual "base" period hog production. The AAA decided that local committees of farmers could adjust the production claims of individual farmers in a community so that they were equitable as among farmers, even though biased considerably for the community as a whole; and that the Administration could equitably remove these community biases by the use of the production and marketing records of the Bureau of Agricultural Economics, tax assessors' reports in a number of states, 1930 census data,

and other available statistical material. The temporary expedients suggested by the committee were therefore discarded. Instead the AAA decided to reduce hog production by requiring each contracting farmer to decrease the number of hogs raised from 1934 litters for sale 25 per cent below the number so raised from the average of 1932 and 1933 litters. The plan to peg hog prices was rejected, one sufficient reason being the practical impossibility of financing it with even the highest legal rate of processing tax, much less with the \$2.00 rate recommended by the committee.

Having come to these conclusions, the AAA called the Executive Committee of the Corn-Hog Committee to Washington in order to acquaint its members with the problems encountered in attempting to develop the plan suggested by the committee, and to get their reactions to the proposed changes. Most members of the committee were skeptical of the practicability of the revised plan but could suggest nothing better and perforce accepted it. Shortly thereafter, on October 17, 1933, the main features of the corn-hog reduction program for 1934 were announced by the Secretary of Agriculture.

The first stage in the development of the livestock program included two other supplementary measures conceived and initiated in the fall of 1933. The first of these was the plan for making extensive purchases of "fat" hogs for relief distribution. This was designed, as far as the AAA was concerned, to supplement the price-raising effect of the emergency hog marketing campaign by reducing the supply of hogs available for commercial slaughter and distribution. Such a plan had been frequently recommended and considered during the summer but became feasible only when the Federal Surplus Relief Corporation was established in October 1933.

The details of the plan were announced on November 4, 1933 and initial purchases were made about two weeks later.

The second of these supplementary measures was the 1933-34 corn loan. It will be remembered that the original decision of the Administration about mid-summer 1933 was to make no attempt to reduce 1933 corn supplies because of the prospective short corn crop. But corn prices declined sharply after the end of July and by October this fact and a combination of other influences made some action seem essential. Farm unrest in the Corn Belt seemed at that time to be widespread. A group of Mid-West governors was demanding price fixing. Administration leaders began to realize that it would be impossible to get the first instalment of the benefit payments to be paid farmers for reducing corn and hog production in 1934 into the Corn Belt by December 1, 1933 or even shortly thereafter. These farmers were demanding as favorable treatment as that accorded to cotton farmers, who were permitted to borrow 10 cents a pound on warehouse cotton—more than its market value. Corn Belt leaders were arguing that if similar corn loans were not made possible the greater part of the benefits of the proposed reduction program would accrue to the grain trade. They held that farmers would be compelled to sell their corn outright at the existing low prices, and that the trade would buy the corn and wait for the reduction program and other policies initiated by the Roosevelt Administration to increase corn prices. Consequently, in a radio address on the evening of October 25, 1933, the Administrator of the Agricultural Adjustment Act announced: "It has been decided to make loans on corn properly warehoused and sealed on the farm in states where there is a farm warehouse act."

The first loans were made about one month later. At that time the corn loans were considered of emergency character only, designed to secure for farmers immediately some of the benefits of the enhanced prices that were expected to result from the corn-hog reduction program.

The 1933-34 corn loan constituted the last of the measures devised during the early stages in the development of the livestock program. The corn-hog adjustment program was carried over with some changes into the following year. There was also an extension of the corn loan program, which by this time had come to be looked upon as a permanent part of the corn-hog program. The modifications in these measures resulted in part from the 1934 drought and in part from the experience gained in 1933-34. A consideration of them and of the government cattle purchases caused by the drought will, therefore, be delayed until after an examination of the administration and operation of the early measures.

CHAPTER IV

EMERGENCY REDUCTION OF HOG SUPPLIES

When the National Corn-Hog Committee met with the Agricultural Adjustment Administration in Chicago on July 20-21, 1933, hog prices were lower relative to their fair exchange value than any other major agricultural commodity.¹ Corn prices, along with the price of grains, cotton, and many other commodities, had advanced sharply during the speculative boom which followed the initiation of the economic and monetary policies of the Roosevelt Administration. Moreover, the July 1 crop report indicated the probability of a short 1933 corn crop. Cattle prices had recovered somewhat from the previous winter, when they were at the lowest level in 25 years, and by mid-summer were about 75 per cent of parity. Hog prices, at 51 per cent of parity (July 15, 1933), were held to demand immediate attention.

The problem was to develop feasible plans that would have an immediate price-raising influence. The estimated number of hogs actually being fattened for market on June 1, 1933 was 20 per cent larger than at the same time a year earlier. The June 1 pig survey indicated that farmers intended to increase their fall pig crop 8 per cent above that of the previous fall. Total federally inspected slaughter in prospect for 1933-34² appeared to be as much as 50 million head (neglecting for the moment the possible influence of the short corn crop then

¹ Fair exchange value and parity price are hereafter used interchangeably. Though the AAA has made this interpretation, there is some doubt as to whether this was the intention of the Agricultural Adjustment Act.

² Oct. 1, 1933 to Sept. 30, 1934.

in prospect) as compared to a prospective slaughter of 47.5 million in 1932-33 and actual slaughterings of 46.5 million in 1931-32. If nothing were done to reduce the number of hogs on farms and the number of sows farrowing in the fall of 1933, it was held certain that market supplies would be extremely burdensome and hog prices extremely low until the fall of 1934 at least.

THE EMERGENCY HOG MARKETING CAMPAIGN

The first answer to the problem of reducing the supply of hogs already in existence and in prospect in the near future was the emergency hog marketing campaign.³ This plan in its original form proposed the purchase by the AAA of 4 million pigs weighing not less than 25 nor more than 100 pounds, and 1 million pregnant sows weighing not less than 275 pounds, the product of these animals to be diverted into non-commercial channels. Market supplies would be reduced during the winter of 1933-34 by the removal of the pigs and during the summer of 1934 by the removal of sows. It was felt that a total reduction of 1.8 billion pounds in 1933-34 supplies might result if the campaign were successful. This represented about 16 per cent of the prospective supply, and, according to AAA estimates, the reduction was expected to increase hog prices 25 to 30 per cent for the season. With favorable conditions in other respects this might result in average hog prices about two-thirds of parity.

The key to the plan was contracts between individual packers and the Secretary of Agriculture in which the latter authorized the former to purchase and process, under specified conditions, pigs and sows for the account of the Secretary. Consequently the existing market mech-

³ More fully discussed in D. A. FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 17-49; and 73 Cong. 2 sess., *Emergency Hog Marketing Program*, S. doc. 140.

anism was used almost *in toto*. Inspectors of the Bureau of Animal Industry of the United States Department of Agriculture were employed to decide upon the eligibility of the pigs and sows offered, to assist in the conduct of the buying, to supervise the processing, and to certify to the purchases of each packer so that he could be reimbursed for the animals bought and for the processing. The schedule of charges for processing, storing, and so forth was determined upon through conferences of packers and the AAA and set forth in the contracts.

This plan was adapted from the suggestions of the National Corn-Hog Committee made at the end of their conference on July 20-21, 1933. It was announced by the Secretary of Agriculture on August 18; and by August 23 arrangements had been completed and purchasing begun at Chicago, Omaha, and Kansas City. By the 25th arrangements were completed at 36 additional points; and by September 7, 139 packing plants at 82 processing points had been authorized by contract to purchase, process, and otherwise handle pigs and sows for the account of the Secretary.

The prices which the packer was authorized to pay for the pigs ranged from \$9.00 a hundredweight for those weighing from 25 to 30 pounds down to \$6.00 a hundredweight for those weighing from 96 to 100 pounds. This price schedule was applicable at Chicago and some points in Michigan and Ohio, but varied at other points by amounts about equal to the normal market differentials. These "government" prices were at least double the regular market prices for pigs of comparable weights; in fact, they were considerably more than double if allowance is made for the fact that the pigs bought during the campaign were somewhat below average in quality and vitality.

Packers were authorized to pay market prices plus a premium of \$4.00 a head for eligible sows (sows "plainly and visibly pregnant"), and in addition were required not to make the 40-pound "dock" in weight customary when such animals are sold on the commercial market. The government price on sows was about 50 per cent above their market value.

The packers were required to make dry salt meat from the sows and the 80 to 100 pound pigs, and grease and fertilizer tankage from the 25 to 80 pound pigs.⁴ Prior to the initiation of the campaign the Federal Emergency Relief Administration had contracted to purchase up to 100 million pounds of the dry salt pork for distribution to families on relief rolls, at a price (3 cents a pound) that would approximately defray the cost of cutting, packing, and shipping. The plans contemplated disposal of the grease and fertilizer tankage by sale through regular commercial channels.

Four serious difficulties arose during the conduct of the campaign that necessitated considerable modification of the original procedure. The first problem was to adjust receipts of pigs to the processing facilities of authorized packers. The number of pigs sent to market during the first three buying days in response to the "government" offer was much larger than the processors could slaughter. Consequently, a temporary embargo on such receipts had to be established until the packers could dispose of this initial glut. During the embargo, under the general direction of the AAA the several

⁴During the last week of the campaign, pigs weighing from 71 to 100 pounds were processed into dry salt pork. It is impossible to dehair pigs weighing much less than 70 pounds with the mechanical dehairing equipment available in most plants, and dehairing by hand would have slowed up the campaign considerably. Moreover, it is relatively very costly.

markets evolved systems for keeping receipts in line with processing capacity. The procedure differed from market to market, but consisted essentially of restricting market receipts of pigs through the issuance to producers of written permits to ship a number of pigs equal to the number that processors could handle. This permit system was almost immediately effective in controlling receipts.

The second problem was to see that these permits were issued only to bona fide producers. Throughout the campaign, producers complained that local livestock dealers could easily obtain permits to ship large numbers of pigs even though, after September 1, AAA instructions required that such permits be issued to original owners only. In some cases, local dealers made fraudulent requests for permits, which were issued in good faith. In other cases, permits were obtained through collusion with the issuing agency. This difficulty was never solved to the satisfaction of producers. On the whole, however, the activities of these speculators did not bulk large in relation to the total number of pigs and sows bought by the AAA. Though complaints continued throughout the whole buying campaign, they decreased materially after the initial rush of producers to sell was over and as the requests for, and the issuance of, the permits to ship were more and more carefully scrutinized.⁵

The third problem was to satisfy the demand on the part of these bona fide farmers for permission to ship. The difficulty was not only that producers wished to sell many more pigs than the government had originally

⁵ The AAA investigated a large number of these complaints. Up to Apr. 1, 1935, 17 indictments which involved 75 or 80 individuals had been returned. In the three cases so far completed the parties indicted plead guilty and were fined and given suspended sentences. The remaining cases are awaiting trial.

proposed to buy, but also that the demand for an opportunity to sell was most insistent in many areas where processing facilities were inadequate to handle the volume of pigs offered. These difficulties were surmounted by increasing the number of pigs bought to over 6 million; by reallocating slaughter quotas; and by moving pigs, in some cases considerable distances, to processing plants which were able to handle more pigs than the farmers in their localities offered.

The fourth problem was to increase the number of sows being purchased since such purchases were running far below the original objective. In an effort to do this the minimum weight was reduced from 275 to 240 pounds, while at some markets a somewhat more liberal interpretation was given to the words "soon to farrow." These modifications, however, resulted in only a slight increase in sow purchases. Moreover, it appears probable that the great majority, if not all, of the sows purchased by the government would have come to market before farrowing anyway. A relatively small premium above market prices on sows, especially as compared to the large premium on pigs, seems to have been the most important reason for the small number of sows offered by producers.

The obvious remedy, an increase in the sow bonus, was ruled out by AAA officials because they felt that it would be unfair to producers from whom sows had already been purchased. This does not seem a very valid ground for the decision, since less than 25,000 sows had been purchased at the time and it would not have been an unduly difficult task to make supplementary payments to producers who had already sold their sows. It would seem that more importance should have been

attached to reaching, or at least more nearly approaching, the original objective of purchasing 1 million head of sows.⁶

The AAA has intimated, moreover, that the poor response to the sow offer permitted a 50 per cent increase in the number of pig purchases without exceeding the amount originally budgeted for the entire emergency program.⁷ This increase in the number of pigs purchased would have been possible, however, even if the sow bonus had been doubled or tripled, since the estimated cost of pig and sow purchases exceeded the actual cost by 20 million dollars. At all events, less than one-quarter of a million sows were purchased as contrasted with the original plan of purchasing 1 million. Moreover, most if not all of these 200,000 sows would probably have been marketed anyway.⁸

A total of nearly 6.5 million pigs and sows was purchased by the government during the emergency campaign. The table on page 69 shows the distribution of these purchases according to light pigs processed into inedible products and heavy pigs and sows processed into edible products, their respective totals and average weights, and the total and average cost of the live animals.

The Corn Belt naturally furnished an overwhelming majority of these animals—more than four-fifths of the total. South Dakota led in the sale of light pigs, Missouri in the sale of heavy pigs, and Iowa in the sale of sows. Sales were closely associated with 1933 crop pros-

⁶ It is doubtful if Administration leaders ever expected to reach this goal, but certainly they expected to approach it more nearly than they actually did.

⁷ *Agricultural Adjustment (G-8)*, AAA, p. 116.

⁸ See FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, p. 101.

pects. South Dakota, with the smallest corn crop prospect in years, led in the proportion of inventories sold, closely followed by Kansas. Other drought areas likewise took the opportunity to liquidate heavily. Iowa and Nebraska, on the other hand, with a 1933 corn crop about average or better, sold but a small percentage of the hogs they had on hand during the emergency campaign.

Just over 1 million pounds of dry salt meat (before shrinkage and cure) was obtained from the heavy pigs

PIG AND SOW PURCHASES ON GOVERNMENT ACCOUNT*
AUGUST 23, 1933-OCTOBER 7, 1933

| Classification | Number of Head | Live Weight (In pounds) | | Live-Weight Cost | | |
|------------------|----------------|----------------------------|----------|------------------|----------|----------|
| | | Total | Per Head | Total | Per cwt. | Per Head |
| Light pigs . . . | 5,105,067 | 270,573,305 | 53 | \$21,359,742 | \$7.89 | \$4.18 |
| Heavy pigs . . . | 1,083,650 | 93,816,471 | 87 | 5,928,178 | 6.32 | 5.47 |
| Sows | 222,149 | 79,100,364 | 356 | 3,355,182 | 4.24 | 15.10 |
| Total | 6,410,866 | 443,490,140 | | \$30,643,102 | | |

* Adapted from *Agricultural Adjustment* (G-8), AAA, pp. 321-22.

and sows. This meat, turned over to the FERA, was all distributed by February 1, 1934. About 22 million pounds of grease obtained from the light pigs was sold through the regular channels of trade late in 1933 at about 2.6 cents a pound. Some 12,000 tons of tank residue was obtained from the same source. About 5,000 tons was made into fertilizer tankage and later sold. The remainder was disposed of during the emergency marketing period because drying and storage facilities at a number of points were inadequate and the market value of the finished fertilizer tankage did not justify the extra expense of drying and storing. The remaining

by-products from the slaughter of the sows and heavy pigs, of which lard was the most important, were retained by the packers, the government receiving credit for them at the rate of 35 cents a 100 pounds (live weight).

The net cost of the emergency campaign to the AAA was approximately 33 million dollars.⁹ The biggest single item was payments for pigs and sows. This amounted to 30.5 million dollars, of which producers probably received 24 million. Payments by the AAA to packers for processing amounted to 2.5 million dollars.¹⁰ Finally, perhaps \$500,000 of administrative cost can be rather definitely allocated to the emergency hog marketing campaign.¹¹ As authorized by the Agricultural Adjustment Act, funds to conduct the campaign were advanced to the AAA by the Treasury. The latter was reimbursed from the proceeds of a processing tax on hogs which went into effect on November 5, 1933.¹²

The emergency campaign appears to have had little, if any, effect on fat hog prices during the last half of

⁹ This does not include \$2,916,000 paid to the AAA by the FERA as reimbursement at the rate of 3 cents a pound for cutting, packing, and shipping the salt pork to local relief agencies.

¹⁰ Just over \$600,000 was received from the sale of grease and fertilizer tankage. This sum went into the general funds of the Treasury, however, and not into those of the AAA.

¹¹ This does not include general "overhead" but does include the cost of Bureau of Animal Industry inspection, field office expense, and nearly \$400,000 for field audit. This latter item may be reduced materially by transfers of part of this expense to other commodity programs currently (May 1935) being made.

¹² Though the campaign was financed from the proceeds of a processing tax on hogs, it was not conducted, as one might expect, pursuant to the authority granted the Secretary of Agriculture to use part of the proceeds of a processing tax for the "removal of surpluses." Instead the amounts paid for the pigs and sows were designated as "benefit payments." This procedure fulfilled the legal requirement that the Secretary announce his intention to make rental or benefit payments to producers before a processing tax could be collected.

1933. Since the heaviest pigs bought weighed only 100 pounds, commercial supplies were not appreciably affected until after January 1, 1934. Any anticipatory effects which this reduction in supply might have had on hog prices were obscured by other influences. During the first week or ten days of the actual buying period, fat hog prices may have been slightly depressed because the whole market mechanism had turned its attention to the disposal of the initial glut of pigs. This condition, however, did not last long. Apparently the purchases of sows did have some strengthening effect on packing sow prices. Since it appears probable that most of these 222,000 sows would have come to market anyway, their removal by the AAA reduced commercial supplies by 8 or 10 per cent in September 1933.¹³ Receipts of sows during July and August 1933 had been unusually heavy, and sow prices had declined sharply between mid-July and the end of August while butcher hog prices had remained relatively steady. After the middle of August, sow prices strengthened relative to butcher hog prices, and by the end of October had recovered nearly one-half of their mid-summer drop.

A consideration of the effect of the emergency hog marketing campaign on hog supplies and prices in 1934 will be deferred until after a discussion of the second emergency measure undertaken to increase hog prices by reducing commercial hog supplies.

RELIEF PURCHASES OF HOGS AND HOG PRODUCTS

The second of the two emergency measures employed by the Administration to support hog prices until such time as the production reduction program became effec-

¹³ Lard and other by-products from these sows did enter commercial channels; but due to the method of processing the dry salt pork for government account, the yield of lard was only about one-third of normal.

tive in reducing market supplies, was the purchase between November 1933 and September 1934 of the equivalent of 2 million hogs for distribution in processed form to families on relief rolls.¹⁴ These purchases were jointly undertaken and financed by the Agricultural Adjustment Administration and the Federal Surplus Relief Corporation. Unlike the purchases made during the emergency hog marketing campaign, these relief purchases were specifically planned to obtain hog products for the needy as well as to remove an agricultural "surplus" and increase hog producers' income. Here, however, the relation between these purchases and the declared policy of the Agricultural Adjustment Act to promote agricultural recovery is the primary concern.

The purchase of pork products for free distribution to the needy was included among the earliest proposals made in the summer of 1933 for immediately ameliorating the condition of corn-hog producers. On September 21, 1933 the National Corn-Hog Committee of Twenty-five had advocated its adoption as a supplementary means of maintaining hog prices at parity f.o.b. Chicago. The AAA, while doubtful of its efficacy in this respect, did feel that a reasonable volume of such purchases at judicious intervals throughout 1933-34 would support hog prices when it appeared that supplies would be most "burdensome." While the Adjustment Administration was considering purchases of pork for relief purposes primarily from the point of view of relieving the market of burdensome supplies, the Relief Administration came to the conclusion that the needs of families on relief for certain staple foods could be best met by purchasing these supplies and distributing them through local relief

¹⁴ More fully discussed in FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 49-55.

agencies. This belief was perhaps based in part on the success then being attained in the distribution of the salt pork resulting from the emergency pig campaign. As a result the Federal Surplus Relief Corporation was established (October 4, 1933) as a subsidiary of the Federal Emergency Relief Administration for the twofold purpose of buying and distributing staple necessities to the needy unemployed and at the same time reducing the surplus of agricultural products. No definite procedure for financing the purchases was established at the time. Funds, it was presumed, would be made available by the FERA if relief needs were paramount, by the AAA if removal of surplus loomed large.

Plans for the purchase of "a maximum of 300 million pounds of pork products, the equivalent of 3 million live hogs," during the ensuing seven or eight months, were announced on November 4, 1933. These plans contemplated the purchase of pork products processed according to government specifications by packers submitting acceptable bids. The original agreement was that such purchases would be jointly financed by the AAA from a portion of the proceeds of a processing tax on hogs and by the FSRC from funds provided by the FERA. Bid specifications included the requirement that the product, dry smoked pork sides, be processed from hogs of average good quality weighing between 100 and 215 pounds. These purchases were to be made through the winter and spring of 1933-34. Bids for the first 75 million pounds were to be opened on November 7, 1934. Bids were submitted at that time for only 45 million pounds and accepted for only 34 million pounds—less than half the amount originally requested. Based on average processing costs, the average of the bids accepted was equivalent to about \$5.50 a hundredweight of live

hogs. As it turned out, packers were able to buy hogs to fill these contracts at about \$3.50 a hundredweight.

Partly in order to prevent a recurrence of this apparently wide "spread," and partly for other reasons, the purchasing procedure was revised. Live hogs were purchased at market prices by the "government" (packers acting as buying agents) and processors bid for contracts to process these hogs and store the product. Between November 1933 and June 1934, 1,386,000 hogs were handled in this manner,¹⁵ though late in January Secretary Wallace professed his disappointment in what he termed the lack of co-operation given by the packers in the purchase of surplus meat for relief distribution. The difficulties between the Secretary and the packers were soon adjusted so as to permit the continuation of these live hog purchases. During the last few days of January and the first part of February there was even an increase in the rate of purchase. Furthermore, at the urgent request of the packing industry, awards were made for the purchase of 8.5 million pounds of commercial cuts and 10.7 million pounds of lard to relieve the commercial market of what the industry termed "distress" supplies. Bids on these products had been opened on January 20 but no awards had been made pending the ironing out of the disagreement between the AAA and the processors. Additional purchases of pork products were made periodically thereafter until September 1934. In all, more than 35 million pounds of commercial cuts and nearly 24 million pounds of lard were purchased between January 31 and July 19, 1934 for distribution to

¹⁵ Including some 130,000 head purchased by the FSRC in November and December 1933 in an abortive effort to "peg" hog prices. The policy of buying light hogs was continued, however, the average weight of all the live hogs bought being 176 pounds as contrasted with the average weight under federal inspection of 223 pounds.

families on relief rolls.¹⁶ This represented the equivalent of approximately 541,400 live hogs with a live weight of perhaps 125 million pounds.

Total purchases of hogs, commercial cuts, and lard through the 1933-34 hog marketing year were, consequently, the equivalent of 2,031,638 hogs with a live weight of 380,201,000 pounds. This represents 3.8 per cent of the live weight of all hogs slaughtered under federal inspection in that year, and almost exactly two-thirds of the volume of purchases originally contemplated.¹⁷ During December, January, and February, when purchases for relief were the heaviest, they represented about 6.7 per cent of the federally inspected slaughter (live weight) of hogs.

¹⁶ Purchases under the award made July 19 were not completed until September 1934.

¹⁷ The Department of Agriculture's report on hogs slaughtered under federal inspection in 1933-34 includes hogs slaughtered for government account and pork products purchased for relief distribution. Estimates of government purchases of hogs, commercial cuts, and lard (in terms of numbers and live weight), from November 1933 to September 1934, are tabulated below:

| Month | Number | Live Weight (In thousands of pounds) | Month | Number | Live Weight (In thousands of pounds) |
|-------|---------|--|-------|-----------|--|
| 1933: | | | | | |
| Nov. | 200,963 | 36,790 | May | 186,848 | 31,828 |
| Dec. | 276,621 | 50,840 | June | 256,749 | 50,693 |
| 1934: | | | | | |
| Jan. | 412,976 | 72,154 | July | 16,900 | 3,979 |
| Feb. | 386,242 | 73,831 | Aug. | 2,000 | 461 |
| Mar. | 141,712 | 28,398 | Sept. | 750 | 174 |
| Apr. | 149,877 | 31,053 | Total | 2,031,638 | 380,201 |

Since all the government purchases of hogs and hog products for relief distribution were slaughtered, or obtained from hogs slaughtered under federal inspection, monthly inspected commercial slaughter figures should be adjusted downward by the amounts shown above. A 10 per cent allowance has been made for the fact that certain parts, principally lard, of the live hogs slaughtered for government account were retained by the packer and sold in commercial channels. Recent unpublished estimates of the AAA indicate that a 20 per cent rather than a 10 per cent allowance should have been made for these retained products.

For individual days and weeks when government purchases of live hogs were particularly large, prices were obviously affected. From the point of view of the AAA, one advantage of purchasing live hogs was the control it gave over the volume of purchases from day to day. Thus government purchases were increased before the first of February and reinitiated around the first of March to counteract the effect of the higher processing tax rates which became effective February 1 and March 1 respectively. Purchases were first reduced and finally discontinued when receipts of hogs declined sharply after the middle of February, but they were extended from June 5 to June 18 in order to lend further support to the hog market through a period of heavy receipts accentuated by the drought.

The relief purchases of live hogs probably maintained light hogs at relatively higher prices than heavy hogs. This was due to the requirement that hogs purchased for government account must weigh between 100 and 200 (occasionally 210) pounds. It is doubtful, however, if the total tonnage of hog marketings was appreciably reduced by this proviso, as was expected when the program was first announced. The incentive to sell hogs at light weight was already great, owing to the very unfavorable corn-hog ratio during and preceding the months in which relief purchases of live hogs were made. Consequently, an ample supply of light-weight hogs was usually available with which to fill government orders.

Live hogs for government account were bought "at the market." The cost per hundredweight of the government purchases of these hogs ranged from 30 cents above to 30 cents below the weekly average price of 160 to 180 pound hogs at Chicago. No attempt was made to influence the general level of hog prices by having packers

pay out-of-line prices for government hogs.¹⁸ This policy was subject to some criticism by those producers who erroneously believed that prices paid for the supplies bought for commercial slaughter would be favorably influenced if the supply for government use was purchased at prices above the existing market.¹⁹ On the few occasions when the supply of hogs eligible for government purchase happened to be small, buying on commercial account came to a complete standstill until government orders had been filled. The remaining hogs, if any, were then bought at prices in line with the market.

The AAA and the FSRC were, according to the original plans, to finance these "relief" purchases jointly, presumably on a 50-50 basis.²⁰ When buying plans were revised the AAA paid the purchase price of the live hogs and the FSRC paid all the costs of processing as well as those of distribution.²¹ Purchases of commercial cuts and lard were variously financed. The FSRC alone financed the purchases of pork sides in November and several of the periodic purchases of commercial cuts and lard. The AAA alone financed one of the largest purchases of pork products, and on one other occasion paid for the product while the FSRC paid for the necessary additional processing.

In all, the AAA contributed 11 million dollars to-

¹⁸ Outside of the abortive attempts to "peg" prices in November. There is no reason for believing that packers billed the government for the highest priced hogs they bought, while actually slaughtering for government account hogs of poorer quality and lower cost, as was sometimes suggested. In fact, all purchases for government account were supervised by an inspector of the Bureau of Animal Industry, who certified the weight, grade, and purchase price of these hogs.

¹⁹ Cattlemen were particularly prone to criticize, for this reason, the prices paid for canners bought during January and February 1934.

²⁰ The FSRC assumed, from the first, the entire cost of distributing the products.

²¹ The FSRC also paid for the 130,000 live hogs bought during November and December 1933, these purchases not being co-operative with the AAA.

ward the purchases of hog products for relief distribution—8.2 million dollars for 1,236,000 hogs having a total live weight of 214 million pounds, and the remainder for 33 million pounds of commercial cuts and lard. This 11 million dollars likewise represents the total cost to the AAA of removing the equivalent of 2 million live hogs weighing 380 million pounds from commercial market supplies during the 1933-34 marketing year.²²

RESULTS

These two emergency campaigns did not have, and were not expected to have, much influence on the general level of hog prices during the 1932-33 hog marketing year. No purchases of hog products for relief use were made before November 1, 1933, and, though the income of hog producers in 1932-33 was increased by 22 million dollars by receipts from the sale of pigs plus the bonus on the sows sold during the emergency campaign, this represented only a very small percentage of the gross income of hog producers. Hog prices and the "purchasing power" of 100 pounds of hogs, in fact, were almost exactly the same in 1932 as in 1933.²³ The gross income from hog production was 10 per cent larger in 1933 than in 1932, primarily because of an increase in the number of hogs marketed and secondarily because of the 22 million dollars paid farmers during the emergency cam-

²² No estimates are available showing the amount that the FSRC paid for processing live hogs or hog products. Even if there were, it would be impossible to compare the prices paid by the FSRC for processing with the margins between, say, live hog prices and the wholesale value of the products of hogs slaughtered commercially. The reason is that packers retained some of the products of the live hogs for their own use on the one hand and were put to additional cutting, wrapping, and boxing expense on the other.

²³ The average farm price of hogs in 1933 was \$3.43 a hundredweight compared with \$3.44 in 1932. Hog prices were 43.6 per cent of their fair exchange value in 1933 compared with 44.5 per cent in 1932.

paign.²⁴ Failure of the AAA to increase hog prices in 1933 was not due to any lack of desire, but rather to the difficulty encountered in finding any feasible means of doing so in the limited time at its disposal.

It is extremely difficult to estimate with any degree of accuracy the effect of the two emergency measures on hog prices in 1933-34. Apparently the commercial supply of hog products obtained from slaughter under federal inspection was reduced by about 1.4 billion pounds. The emergency purchase of 6.1 million pigs accounted for 1 billion;²⁵ the purchase of 222,000 sows for 80 million (but this reduction occurred in 1932-33); and the relief purchases for nearly 400 million. The total reduction of 1.4 billion pounds in 1933-34 represents a decrease of about 12.5 per cent in commercial slaughter during the marketing year.

Perhaps hog prices were \$1.75 higher on the average during the 1933-34 marketing year than they would have been if no emergency measures had been taken, *provided*, however, that all other influences, both planned and fortuitous, would have affected hog prices in the same manner and to the same degree in the absence of the emergency measures as they actually did. The gross income farmers received from the hogs they sold was perhaps 20 per cent larger than it would have been if these emergency purchases had not been made.

The analysis upon which these conclusions are based is developed in Chapter XII. It seems unwise to insert it at this point, since in order to come to any conclusions

²⁴ Presumably, though the evidence is by no means conclusive, the income from the 1933 corn crop would have been reduced by the decrease in the demand for corn resulting from the reduction in hogs except for the offsetting influence of the 1933 corn loan.

²⁵ After allowing for slaughter not under federal inspection and a somewhat larger than normal death loss if these pigs had been fed out.

with respect to the influence of the emergency measures on hog prices it is necessary to consider the influence of other programs and factors that affected hog prices and the incomes of hog producers. Indeed, these had a more important influence, even in 1933-34, than did the emergency hog marketing campaign and the relief purchases of hogs and hog products. It is to a consideration of these more influential measures that the discussion now turns.

CHAPTER V
CORN-HOG REDUCTION IN 1934
—THE CONTRACT—

The emergency measures discussed in the preceding chapter were never considered more than a temporary expedient by which the situation in which hog producers found themselves might be mitigated until production control could become effective in reducing market supplies.

The earliest attempts to develop the elements of such a control program for corn and hogs were not made until September 1933. The first step, after deciding that direct control of hog production was feasible, was to obtain definitive answers to three crucial questions: (1) How much reduction was desirable? (2) What constituted "fair and reasonable" rates of rental and benefit payments? (3) How could the plan be financed? The problem was rendered unusually difficult because the answer to any one question affected the answers to the others. If, for example, a high rate of rental and benefit payments was determined upon, it would tend to increase the amount of reduction since it would increase the number of co-operating farmers, but at the same time it would render the problem of financing more difficult.

The AAA from the first had felt that a reduction of about 20 per cent from the current levels of corn and hog production would be most desirable—not because a reduction of this amount would completely achieve the objectives of the Agricultural Adjustment Act (unless consumers' incomes increased at an unexpectedly rapid rate) but because it represented the approximate amount

of the "surplus" in hog supplies¹ and because individual producers could make a readjustment of this size without reorganizing materially their normal farm practices. Since it was not expected that all producers would be willing and able to "co-operate" in the program, individual producers were asked to make a 25 per cent reduction in hog production and not less than a 20 per cent reduction in corn production.

The payments decided upon were 30 cents a bushel on the appraised yield of the land taken out of corn production and \$5.00 a head on the hogs the producer was permitted to raise for market. These payments were felt to be large enough to be attractive and to assure producers a larger gross income from co-operating than from staying out of the program.²

The financing procedure decided upon was to collect processing taxes on hogs and corn for a period of two years and to allocate to the corn-hog program some 37 million dollars from the Bankhead fund.³ The financial problem had been complicated by the necessity of financing not only the benefit payments for hog reduction from the proceeds of a processing tax on hogs, but also the emergency hog marketing campaign, the AAA's contribution to the relief purchases of hogs and hog products,

¹ "Vast changes in our foreign and domestic demand situation since the war have left us with an excess of at least one hog of every six hogs grown in the Corn Belt in recent years and of around 20 million acres of corn." *AAA Press Release No. 893-94*, Oct. 17, 1933.

² The hog payment was felt to be larger than necessary for these purposes. It was set at this level (1) because hog producers' incomes would be raised at an earlier date than if they had to wait until their hogs were sold before obtaining most of the gains expected from the reduction in supply; and (2) because it was thought that to the extent that benefit payments preceded the collection of processing taxes, the difference being made up by Treasury borrowings, the effect would be "inflationary."

³ See Chap. VII.

and a considerable proportion of the corn rental payments.

The difficulties of setting up the plan for reducing corn and hog production were by no means at an end with the making of these decisions. Before a contract form and its associated documents could be prepared, three important questions had to be settled. The first concerned the determination of the base period production of individual producers; the second involved the permitted uses of the land rented to the Secretary; and the third concerned the use of the productive resources—land, labor, and equipment—released by the reduction in corn and hog production.

The period finally chosen as the base was the two years 1932 and 1933. It represented a compromise between those who favored a base of three years or longer and those who favored a one-year base. The principal advantage of a long base period is that it tends to average out the year to year variations in the production of individual farmers, many of which may be almost or entirely fortuitous. The prime advantage of a short, recent base period is that production data for it are usually easier to obtain and are apt to be more accurate than production data for a long period. In practice, individual producers were permitted in certain cases to use some other base, but the exceptions were not important.

It was originally proposed to limit strictly the use of the land rented to the Secretary—the “contracted” acres. They could be left idle or planted to additional permanent pasture, to soil improving or erosion preventing crops, or to farm wood lots. When sign-up began in February 1934, producers were permitted to plant only a dozen permanent pasture crops on the contracted acres.

Certain legume crops which producers were permitted to plant on these contracted acres were specifically designated as soil improving crops which had to be plowed under and not pastured or cut for hay. As the campaign progressed, a great many additions were made to the number of crops permitted to be grown on contracted acres. Finally, when the 1934 drought became serious, still further modifications were made.

A more elaborate attempt than in any other production control program was made to prevent the land, labor, and equipment released by the reduction in corn and hog production from being used to increase other crops (on land other than the contracted acres) and animal products. The supplementary provisions designed for the purpose proposed to restrict the total acres planted to basic crops other than corn, as well as total acres planted to all crops, to a number equal to the acres so planted in 1932 or 1933, whichever was higher. Producers who agreed to reduce corn and hog production on one farm also agreed not to increase it on other farms which they owned or controlled but which were not under contract. In carrying out these supplementary provisions, serious difficulties were encountered and numerous modifications had to be made.

After decisions with respect to these three important questions had been made, a contract form was prepared. When filled out, this form was to show the major obligations of both parties to the contract and to contain the necessary information to determine the producer's base period production of corn and hogs, the required reduction in corn acreage and hog production, permitted production in 1934, and payments due for fulfilling the contractual obligations.⁴

⁴ The contract form is reproduced as Appendix A of this book.

A large number of difficulties and problems arose when the contract form and the administrative rulings which were legally part of the contract were being prepared. The difficulties were fundamentally due to the extreme variations in actual corn-hog farming conditions. It was impossible to prepare a simple and uniform legal, economic, and statistical mold into which all these variants would fit. These difficulties, though encountered in every commodity program, were accentuated in the case of corn and hogs by several factors: (1) two commodities were being handled in one contract; (2) lack of accurate livestock statistics made the determination of the hog base difficult; and (3) the undertaking of an elaborate attempt to prevent the reduction in corn and hog production from leading to increases in other agricultural production.

The members of the Corn-Hog Section made a conscientious effort to adapt the contract to as many of the variations in actual farming conditions as was possible without being inconsistent with the real objective of the program to reduce production. Flexibility, however, involved complexity, and administrative difficulties were thereby increased. Every decision necessitated careful consideration of the advantages and disadvantages of alternative courses of action, and frequently the scales hung in the balance. A determined effort was made to provide for every possible contingency; but after the contract was taken to the field from one to three dozen changes were made in almost every one of its provisions. At the time the contract itself was prepared, the supplementary list of administrative rulings numbered 32. Before the program was over, this list had expanded to 67 formal rulings and more than 60 interpretations of one kind or another.

Some of the more important problems encountered during the preparation of the contract and administrative rulings and the conduct of the campaign will be considered briefly. This discussion will be in terms of the usual procedure, but it should be noted that there were exceptions to nearly every contract provision and administrative ruling, and frequently exceptions to exceptions.

The contract provided for a dual restriction of hog production. The signer was required to reduce the number of litters and the number of hogs produced for market from these litters 25 per cent below the average number of litters farrowed and hogs produced in 1932 and 1933.⁵ The requirement that the number of litters be reduced was ostensibly inserted to reduce overstatement in 1932 and 1933 production claims and to facilitate the checking of compliance in 1934. The theory was that farmers were much more apt to know accurately how many litters were farrowed on their neighbors' farms than they were the number of hogs produced for market. It proved to have some value in uncovering overstatement; but if it had been enforced it would have operated to obtain from contract signers as a group more than a 25 per cent reduction in hogs for market. There was no way for producers who had had "bad luck" with their litters and saved less than the number of hogs permitted them to average up with those who had had "good luck" and saved more than the number permitted. The former group had no way of coming up to the "average" and the latter group had to come down to it.⁶

⁵ Strictly speaking, the base period for hogs was Dec. 1, 1931-Nov. 30, 1933. The producer might raise, for home consumption, a number of hogs equal to the average number so used in 1932 and 1933. The producer could of course slaughter for home consumption some or all of his market hogs.

⁶ This provision was rescinded on June 7, 1934 because if it had been

The producer, it should be noted, agreed to reduce the number of hogs marketed from litters farrowed in 1934, not the number of hogs marketed in 1934, 25 per cent below the number of hogs marketed from litters farrowed in 1932 and 1933, not from the number of hogs marketed in 1932 and 1933.

The hog base went with the farmer; that is, the contract signer's hog base was the average number of hogs he himself had raised in 1932 and 1933. The corn base, on the other hand, went with the farm; that is, the contract signer's corn base was the average number of acres planted to corn in 1932 and 1933 on the farm the farmer operated in 1934. This was the only practical procedure,⁷ but because of frequent changes in tenants it created another difficulty—new producers had no hog base. They were permitted to acquire one from a retiring producer through the local corn-hog control associations, but this did not entitle them to receive benefit payments. Since the supply of and demand for hog bases did not match, new producers with no hog base were later permitted to farrow two litters.

The contract signer was not required to raise a minimum number of hogs in 1934 (or plant a minimum acreage of corn), as contrasted with the signer of a wheat contract, who was originally required to plant 54 per cent of his base acreage of wheat. Consequently, although the contract provided that the signer should "operate this farm throughout 1934," it was not always an easy problem to decide just what constituted operation. No doubt some producers who would

enforced the delay in adjusting contracts would have resulted in many unintentional violations.

⁷ Unless base period and permitted production of hogs had been established on an altogether arbitrary base, such as one hog for every acre planted to corn on the farm.

otherwise have ceased farming altogether made a pretense of complying with this provision in order to receive rental and benefit payments. Local control association officials were instructed not to recommend for acceptance any contracts of this kind. In a few instances where it was discovered late in the contract year that the signer had actually retired from farming operations, the contract was cancelled.

Special provisions were made for signers who had sold sows to the AAA during the emergency hog marketing campaign, had started farming in 1933, or had purchased feeder pigs in 1932 or 1933. In the latter case they were permitted to purchase in 1934 a number of feeder pigs equal to the average number they had purchased in the previous two years—a restriction later modified and in time practically rescinded. No benefit payments were made for reducing the feeder-pig enterprise. Hog feeders naturally protested against what appeared to them to be discrimination, especially since they felt that the corn reduction program would increase their feed costs and that the processing tax would lower hog prices. However, no practical way of paying feeders to reduce their feeding operations could be found that would not involve payment on the same pigs twice.

Another very common complaint came from those producers who felt that they were discriminated against because their hog production was below "normal" in 1932 or 1933. This may have been due to cholera, or to a fortuitous cause such as unseasonable weather at farrowing time; or, again, it may have been because farmers had acted on advice contained in government outlook reports, or because they had been cleaning up disease in their hog lots. While it might seem desirable to allow each farmer his "normal" production, there was no prac-

tical way of doing so. To permit farmers to include these "hypothetical" hogs would have inflated the base so much that little, if any, reduction in market supplies would have been obtained. Moreover, it would have opened wide the door to gross overstatement of all kinds. This problem was extremely troublesome anyway, and such a provision would have made its elimination impossible.

The average number of acres planted to corn on the farming unit of the contract signer in 1932 and 1933 was the base from which corn acreage was reduced. The minimum requirement was a 20 per cent reduction, but producers were permitted to rent up to 30 per cent of their base period corn acreage to the government. This provision was designed to make it possible for producers to rent one or more whole fields, thereby tending to decrease the necessity of additional fencing, or of disrupting crop rotations, and so on.

Corn grown for silage was included in the base unless the signer grew less than ten acres of corn for grain, in which case he was not required to reduce corn acreage. However, no corn rental payments were made him; he was not permitted to increase his corn production; and he was required to fill his silo to the average level of 1932 and 1933. This solution to the problem of handling silage was by no means entirely satisfactory. It was realized that if the signer's corn crop happened to be poor in 1934, he might find it necessary to put all of it into the silo, which would leave him with no corn for grain. The alternative, to exclude corn for silage from the base and from "permitted production," was felt to be even less satisfactory. In this case it would be difficult, if not impossible, to prevent some of the corn planted for silage from being used for grain, especially

if a good growing season in 1934 resulted in a large tonnage per acre.

Special provisions were made prior to or during the campaign to take care of wide spacings of corn, corn grown in orchards, and the effect of excessive rainfall in 1933. In this last case, in crop reporting districts where the acreage planted to corn in 1933 was 10 per cent or more below the acreage planted in 1932 *because of excessive rainfall in 1933*, any producer who could show that this condition prevailed on his farm was permitted to use 95 per cent of the 1932 acreage as the corn base. This provision was found to be applicable in five crop reporting districts in eastern Missouri and central Illinois. As a result of this "concession," demand for essentially similar ones arose from two sources. First, producers felt that the ruling should be applicable on a county basis, rather than on a crop reporting district basis. This would, for example, have made the ruling applicable in several southwestern Indiana counties where corn acreage in 1933 had been reduced because of excessive rainfall as much as in the adjoining Illinois counties in which the provision applied. This concession, however, was not made. The second demand came from producers who claimed that their corn acreage in 1933 had been greatly reduced by excessive drought. This demand for "equal" treatment was granted. Administrative Ruling No. 44 permitted producers in crop reporting districts where the 1933 corn acreage had been reduced 20 per cent or more below 1932 because of unusual drought in 1933, when their own corn crop in 1933 had been similarly reduced, to use 90 per cent of the 1932 corn acreage as their corn base. This ruling was found to be applicable to three crop reporting districts in northeastern New Mexico and the Texas panhandle,

but not in the northwestern portion of the Corn Belt where demand for some such modification had been particularly vociferous.

One of the most troublesome provisions of the 1934 corn-hog contract was the one designed to prevent the reduction in corn production from being offset by increases in other feed crops.⁸ As an illustration of the difficulties growing out of an individual commodity contract method of adjusting production, it merits a somewhat detailed presentation. The provision restricting feed crops read as follows:

The producer shall not increase on this farm in 1934 above 1932 or 1933, whichever is higher, the total acreage of feed crops other than corn and hay.

On the face of it, this appeared to be a perfectly plain and simple proposition; in practice, this was far from true. Though in a general way crops usually fed to livestock were regarded as feed crops, no specific list or rule for determining them was originally prepared. The first official intimation that difficulty was being encountered in applying this provision was an interpretation issued February 3, 1934 permitting feed crops planted in 1932 and 1933 which were not harvested because of drought, flood, insects, and so on to be included in the feed crop base, provided no other crop was planted on such land and harvested in the same year. Two days later, sweet corn fed to livestock was classified as a feed crop. On March 6 millets normally harvested for grain were so classified. About the middle of March, however, the trend changed. One after another, a considerable number of crops were removed from the feed crop list. The

Somewhat less troublesome, but designed for similar purposes, were provisions restricting the total number of crop acres, and the production of other basic commodities.

first of these changes, approved by the Secretary on March 13, construed soy beans, cow peas, field peas, and other legumes as other than feed crops.

On March 21 the term "feed crops" was for the first time officially defined, and an attempt was made to coordinate the various previous rulings affecting these crops. The list included "oats, barley, rye, grain sorghums, and all other crops which are customarily or frequently used by farmers in feeding livestock," except soy beans, field peas, and other annual legumes, wheat, and hay, unless the latter was usually fed as grain. This classification was only two days old when 18 forage sorghums when seeded, broadcast, or in closely drilled rows and not used for grain, were interpreted as *not* being feed crops. Two weeks later permission was granted to exclude oats cut for hay from the feed crop list, though on March 21 it had been specifically included.

In the meantime, a number of modifications were made that permitted a larger feed crop acreage in 1934 than in 1932 or 1933. Permission was granted to: (1) plant feed crops on abandoned winter wheat land; (2) plant oats, barley, sorghums, field peas and cow peas for hay, or pasture on abandoned clover land; (3) increase the acreage of feed crops such as oats and barley if corn acreage was reduced by a like amount (in addition to the contracted acres); (4) plant feed crops up to 20 per cent of the tillable acres on any farm that during 1932 and 1933 was devoted wholly to canning crops. This by no means represents all the administrative rulings and interpretations of rulings that were issued in an attempt to control feed crop production and yet not penalize individual producers. The difficulty faded into the background only when nearly all restrictions on feed crop

production were lifted as the 1934 drought became serious.

One unexpected complication grew out of a combination of this provision for restricting feed crop acreage and the difference in the base periods used in the corn-hog and wheat programs. The AAA has no record of the number of corn-hog contract signers who also signed wheat contracts, but a considerable proportion, if not the majority, of the participating farmers in such states as Kansas, Nebraska, and Illinois signed both. The base period in the corn-hog contract was the average 1932 and 1933 acreage; in the wheat contract the average of 1931, 1932, and 1933.⁹ A producer who had been decreasing his corn acreage and increasing his wheat acreage since 1931 found himself prohibited from making any use whatsoever of from 10 to 20 per cent of his crop acres (in addition to the contracted acres).

As an illustration of this problem, consider the case of a producer who farmed 160 acres, growing corn and wheat only as follows: corn, 160 acres in 1931, 80 acres in 1932, and none in 1933; wheat, none in 1931, 80 acres in 1932, and 160 acres in 1933. The corn base was 40 acres; the wheat, 80. A 20 per cent corn reduction, together with a 15 per cent wheat reduction, meant setting aside 20 "contracted" acres, and left 32 acres for corn and 68 for wheat in 1934. Since the corn-hog contract prohibited any increase in feed crop acres (in this case, none) the producer was left with 40 "idle," "slack," "open," or "free" acres, as they were variously called, upon which only a limited number of hay or pasture crops could be

⁹ In the determination of the amount of wheat benefit payments, average production from 1931-33 was adjusted to a five-year base. See J. S. Davis, *Wheat and the AAA*, Chap. III.

planted.¹⁰ The same situation arose in localities where (1) crop land had been increasing; (2) less than 85 per cent of the wheat base had been planted for harvest in 1934; (3) insect damage or wet weather had been serious in the base period. In Brown County, South Dakota, for example, there were some 65,000 slack acres, nearly four-fifths of which was due to a decrease in the acreage planted to wheat in 1934.

Many of the changes made in the definition of feed crops outlined in preceding paragraphs were made in an attempt to meet this difficulty. These amendments and interpretations, in effect, redefined feed crops and permitted soy beans, cow peas, and other annual legumes (March 13, 1934), 18 forage sorghums (March 23, 1934), and unthreshed oats used for pasture or cut for hay (April 4, 1934) to be grown on these slack acres. As the 1934 growing season advanced and the drought became more and more widespread, the problem disappeared. Nothing could be grown on the parched land anyway, and the general relaxation of the contract restrictions automatically permitted wider uses of slack acres.

Numerous problems were raised by a seemingly inexhaustible number of variations in landlord-tenant relations. In general, either of two conditions prevailed: (1) the cash tenant received all the benefit payments and the signature of the landlord on the contract was unnecessary; (2) the share tenant (grain or stock) and his landlord divided the payments in the same proportion as the corn or hog proceeds were divided, and the

¹⁰ Conversely, a producer who had been increasing his corn acreage and decreasing his wheat acreage since 1931 found that he was permitted to plant more land to corn and wheat together than there was land in the farm (outside the contracted acres).

landlord's signature was necessary. The landlord agreed not to change the terms of a lease so as to prevent the tenant from getting the same proportion of the benefit payments as the 1933 leasing arrangement would have given him. When a landlord became a party to a contract on one farm, he agreed not to increase the aggregate corn acreage on the farms he owned which were not under contract, no matter what the leasing arrangements were on these non-contract farms.¹¹

Since the landlords were not required to sign a corn-hog contract unless they received part of the benefit payments, a producer who owned (or rented for cash) part of a farming unit and rented the remainder on crop shares could sign such a contract without getting the landlord's signature if all the contracted acres were located on the land he owned (or rented for cash). Likewise, the producer renting his land on shares from two or more owners need obtain only the signatures of the owners upon whose land the contracted acres were located. If they were located on the land of more than one landlord, separate contracts were needed, one for each landlord upon whose land contracted acres were located.¹² Methods had to be devised for handling farms

¹¹ Landlords owning farms in two or more counties were designated as institutional landlords, and a special unit was set up in the Corn-Hog Section to deal with them and the problems created by this type of land holding. Originally, reports were required in all the non-contract farms of an institutional landlord, but certain exemptions from this requirement were later allowed.

The necessity of dealing in a systematic manner with institutional landlords is demonstrated by the fact that more than 25,000 landlords controlling about 175,000 farms reported to the Corn-Hog Section. Large institutional landlords found the creation of a special unit to deal with them very helpful and later requested that a similar method be developed to handle all the institutional landlord problems for the whole AAA.

¹² An exception to this standard procedure was developed as a result of the special landlord-tenant relationships peculiar to certain tobacco and cotton areas, notably in Kentucky and Tennessee.

in the process of foreclosure, farms in receivership, farms in the hands of administrators, farms sold or being sold, farms owned by closed banks, farms rented piecemeal, and sows farmed out on shares.

A great many landlords felt that the division of benefit payments between tenant and landlord under the 1934 contract was unfair to them. They claimed that taxes and other expenses went on just the same and could not be covered by their share of the benefit payments, while nearly all the tenants' payments were clear gain. Some members of the AAA, however, felt that the landlord had suffered less financially since 1929 than the tenant and so intentionally balanced the scales in the latter's favor. Many landlords appear to have signed the 1934 corn-hog contract simply to indicate their willingness to co-operate and not because they felt that it was to their financial advantage to do so.

CHAPTER VI
CORN-HOG REDUCTION IN 1934
—OPERATIONS—

When the contract form, administrative rulings, and associated documents were finally completed, the next job was to put the plan into effect. A campaign to present every producer with the "economic background" of the adjustment effort and the details of the proposed plan had to be carried out. Contract applications had to be obtained from every farmer who wished to participate. Producers' production claims had to be checked for accuracy and any overstatements removed. Contracts had to be completed and, along with all the necessary legal documents, forwarded to Washington for auditing and payment of the first instalment of the rental and benefit payments. The compliance of contract signers with all the terms of the adjusted contracts had to be checked, and certifications to this effect prepared and forwarded to Washington to form the basis for distributing the second and third instalments of the rental and benefit payments. At the same time an organization for handling the job in the field and in Washington had to be developed.

The actual carrying out of the plan proved a far more arduous and lengthy task than was anticipated. Unexpected difficulties were encountered at almost every stage, but particularly in obtaining contract applications and in adjusting producers' claims. In the beginning, it was hoped that some of the first instalment of benefit payments could be made by December 1933. Actually, they reached their peak in September 1934. Second pay-

ments, which the Secretary in the contract agreed to pay on or about November 15, 1934, were largely made in January 1935, and third payments not until March and April of that year.

The Corn-Hog Section leaned heavily upon the Extension Service in conducting the educational work, in obtaining contract applications, and in supervising much of the local administration.¹ In nine Corn Belt states, the state director of extension was a member of a state corn-hog committee of three or four appointed by the Corn-Hog Section to administer the program in the state. In the other states, the extension director (or his nominee) alone was responsible for carrying out the field work. The administrative organization within the state varied, but usually temporary local committeemen were appointed to assist in obtaining contract applications. After all producers had been given an opportunity to apply for a contract, the applicants organized county production control associations which were responsible thereafter for administering the program in the county. Throughout the entire period the local representative of the Extension Service—the county agent—played an important part. In minor corn-hog counties he frequently handled the whole job by himself. In major corn-hog counties the importance of the county agent varied both with his ability and with the ability of the directors of the county association.

CONTRACT APPLICATION

Prior to the actual obtaining of contract applications, the AAA proposed to conduct a distinct and separate campaign to present every producer with the economic

¹ The local administrative set-up is considered in some detail in Appendix B, pp. 326-28.

background of the adjustment effort. Producers were to have explained to them what, in the judgment of the AAA, was the cause of and cure for their difficulties. It was hoped that, after this explanation, farmers would participate not so much in order to receive benefit payments as because of the inherent desirability of adjusting production to "effective demand." The AAA took the precaution, however, to make the contract financially attractive, and indeed attempted to make the payments large enough to guarantee the signer a larger income than the non-signer. It was emphasized that these payments were not "gifts from the government" but were the producers' share of a larger total farm income made possible by controlling production.²

In practice the "educational" meetings were usually combined with a series of "explanatory" meetings at which the details of the plan were presented to producers. The combining of the educational and explanatory meetings resulted in much less emphasis being placed upon the economic background of the adjustment effort than the AAA had contemplated. When producers knew that the details of the plan were available, and when county agents and committeemen knew that plenty of time would be needed to present and explain the contract and associated documents, it was inevitable that the more general discussion would receive somewhat scanty attention. Attendance of producers at these meetings was large and interest keen. Most of them were held early in 1934.

Following these meetings a series of "sign-up" meetings were held at which producers made formal application for their contracts. With the help of local commit-

² *What the Adjustment Program Offers Corn-Hog Producers* (C-H 10), AAA, p. 3.

teemen, county agents, and frequently members of the state extension service, the contract applicant submitted a statement showing: (1) the number of hogs raised, litters farrowed, and feeder pigs bought in 1932 and 1933, together with evidence to substantiate these claims; (2) the acres planted to corn in 1932 and 1933 on the farm which the contract signer was operating in 1934; (3) the field or fields he proposed to rent to the Secretary; and (4) the acres planted to a long list of other crops in the two years included in the base period.

Most of the contract applications were obtained at community meetings, but in the major corn-hog producing areas local committeemen were instructed to make a farm-to-farm canvass of all eligible producers who had not signed applications for the purpose of obtaining either an application or a record of the non-signer's base period production of corn and hogs. Because of the expense of a canvass of this kind, it was confined to the major corn-hog counties in 16 states, and in some of these it was by no means complete.

Nearly 1.2 million contract applications were obtained between January and May 1934. The time expended in securing them was unexpectedly long for several reasons: (1) the large amount of work devolving on the county agent and committeemen in actually filling in the contracts, (2) the time required for tenants to "check in" with non-resident landlords, at least one of whom was located in China, (3) the time needed to obtain "adequate" records of hog production, and (4) the time involved in referring the enormous volume of questions and problems to, and getting answers, interpretations, or new administrative rulings from, federal and state headquarters.³

³ The contract application campaign is considered in more detail in Appendix B, pp. 328-34.

COUNTY CONTROL ASSOCIATIONS

The next step in carrying the plan into effect was to organize the county corn-hog control associations. Each community in the county held a meeting to elect the "permanent" community committeemen, usually three in each community. The chairman of the community committee automatically became a director of the county association.⁴ The county directors then met to perfect the county organization, adopt the articles of association prescribed by the Corn-Hog Section, elect officers, appoint the county allotment committee (usually composed of the president of the association and from two to four directors), determine upon a budget and upon the method of making public corn-hog applicants' production data, and elect a secretary and treasurer.⁵

The great majority of the elections were conducted in a fair and impartial manner. Occasionally a farm organization or some local faction attempted to control one, usually with little or no success. Most of the committeemen elected were men of character and ability, though in many cases not men who had previously been considered leaders in the community. Unavoidably, an occasional incompetent or partial group of men would be elected to the board of directors and the county allotment committee. Nearly every state had one or two examples of boards of directors who were unequal to the task of conducting their duties in a fair and impartial manner or, even worse, who took advantage of their position to "chisel" and to permit their friends and cronies to do likewise. It is only fair to state that cases of this kind were distinctly in the minority and, on the

⁴ In minor corn-hog areas an association often covered two or more counties, occasionally an entire state.

⁵ Associations with 50 members or less were permitted to adopt modified articles of association which, among other things, did not necessitate holding community meetings.

whole, directors performed their duties in a manner to which little exception could be taken. Not the least important result of this campaign was the development of latent farm leadership; the way these men shouldered their responsibilities and grew into their jobs cannot be over-emphasized. However, not infrequently the efficient conduct of an association was mostly due not to the board of directors but to the county agent or even someone with little or no authority, such as a tabulator, a clerk, or a stenographer.

The first task of the permanent organization was to appraise the corn yield of the fields that applicants were offering to rent to the Secretary. The community committee visited every field so offered and estimated the yield to be expected in 1934 under ten-year (1924-33) average growing conditions.

Concurrently, the board of directors and the county allotment committee checked the contract and associated documents for mechanical and factual errors. Mechanical errors included those of arithmetic and proper application of rulings, omitted data, improper signatures, and a long list of others that were discovered by careful checking of the contract and associated documents. A great majority of the contracts and supporting forms were found to contain mechanical errors of some kind. In many cases they were of a type necessitating contacting the producers again. This was an expensive and time consuming process. Factual errors included mis-statements, both intentional and unintentional, in the basic data upon which the contract rested—specifically acres and production in the case of corn and other crops, and litters, production for market, and feeder pig purchases in the case of hogs. The attitude and ability of those in charge of the contract application meetings affected

greatly both the amount and character of these errors.

The major task of the county allotment committee was to reconcile the base period production of corn and hogs as reported on the applications with the quotas established for them. This involved the discovery and correction of factual errors in the contract applications.

OVERSTATEMENT

The Corn-Hog Section was convinced that the contract applications of producers would overstate the base period production of contract applicants. If this overstatement were not removed, it would tend to defeat the immediate objective of the program—to reduce production—and would penalize producers who had reported accurately.

Some of the overstatement, it was realized, would be unintentional. Most people have an unconscious memory bias, and farmers are no exception.⁶ Since many farmers had no record of their farm business, much less an adequate one, this bias was accentuated by the direct monetary advantage that accrued from reporting the highest figure of a range within which the truth might actually lie. An additional factor expected to lead to acreage overstatement was that most farmers make no allowance for roads, fences, turn-rows, small gullies, and other waste land. Most farmers, however, knew at least roughly the size of their farms, and of the fields that they planted to corn in 1932 and 1933. Moreover, the 1933 acreage could be checked against the corn stubble. But no similar check was available for deter-

⁶ The Division of Crop and Livestock Estimates has found, for example, that the same farmers report 3 or 4 per cent more "pigs saved" the year succeeding the one in question than they do the year the pigs are actually saved; thus in 1933 they report more pigs saved in 1932 than they report in 1932.

mining the litters farrowed and the hogs raised for market even in 1933. The reported base period production of hogs consequently was expected to be subject to the greater error. Besides the unintentional overstatement, it was expected that there would be some which was intentional. In both cases it was necessary to lay plans for measuring the amount of overstatement and removing it.⁷

The problem of determining the *amount* of overstatement would have been relatively simple if an actual record of the base period production of corn and hogs by states and counties had been available and if all or almost all producers had made application for a corn-hog contract. But the state estimates of the Department of Agriculture,⁸ particularly of hog production, were felt to be less adequate and accurate than was desirable, while those for minor civil divisions (except those for corn yields) were felt to be subject to a wide margin of error. It was a foregone conclusion, moreover, that the participation of eligible producers, at least in minor areas, would be far from complete.

Consequently, unusually elaborate plans were laid to tap all possible sources of information, including the contracts themselves, in determining state and county

⁷ The belief that there would be material overstatement in the corn-hog contracts was strengthened by the experience of the AAA in the 1933 cotton plow-up campaign and the wheat adjustment program. Farmers had overstated both wheat and cotton acreages and yields, even though there was no immediate monetary advantage in overstating cotton acreage unless the producer (1) wanted to plow up more than 50 per cent (the maximum allowable individual reduction) of his actual acreage, or (2) thought that the acreage plowed up would not be carefully checked.

⁸ The Division of Crop and Livestock Estimates had for years been estimating corn acreages and yields, sows farrowed, and pigs raised, by states. These estimates were based largely on various sample data gathered by crop reporters, on assessors' and state census reports, and on reports from handlers of agricultural products, adjusted decennially to the federal census and from time to time when additional evidence warranted it.

corn-hog quotas.⁹ This task was delegated almost entirely to the Division of Crop and Livestock Estimates of the Bureau of Agricultural Economics through its central office in Washington and its branch offices in the 48 states. Most check data came directly or indirectly from three sources: (1) Department of Agriculture surveys of acreages, yields, hog litters, hogs saved, and hogs raised;¹⁰ (2) state census or tax assessment figures; and (3) the 1930 United States census. The compilation and summarization of material from these sources both in Washington and in the state offices of the division was done late in 1933 and in the early part of 1934.

In each state, the Corn-Hog Section appointed a board of review of three or four, of which the state representative of the Division of Crop and Livestock Estimates was one. To assist the board of review, a junior statistician was appointed for every crop reporting district (typically nine to the state) in the major producing areas and one or two in each state in secondary producing areas. To expedite the summarizing of producers' claims so that they could be examined by the state board of review for overstatement, tabulators were appointed in each major county. As soon as possible after contract applications had been received at the local county offices, these tabulators transferred pertinent data to listing sheets

⁹ These quotas showed the base period production of contract applicants and not the base period production of all producers. State or county estimates of total production, no matter how accurate, could by themselves be of little use in determining the amount of overstatement in the claims of applicants whenever the number of non-applicants was appreciable. Moreover, with a county production estimate as the sole guide, it was possible to take the overstatement out of the production allocated to non-applicants and leave the claims of the applicants virtually unchanged.

¹⁰ By means of co-operative arrangement with the Post Office Department, questionnaires covering these (and many other) farm commodities are distributed to farmers by rural mail carriers. Reports prepared from the answers to these questionnaires are commonly referred to as rural carrier survey reports.

and forwarded them to the state board of review. When all the data submitted to the board of review were finally summarized, the hog production claimed by applicants alone frequently exceeded the preliminary estimate of all hog production for the state, and the base acreage of corn appeared too high, though it was not "inflated" nearly so much.

The methods used in determining the amount of the overstatement and in setting county contract quotas varied widely. At the one extreme was the method used in the major producing states—the determination of a state contract quota and its distribution among all the counties in the state. At the other extreme was the method used in the least important states—a county contract quota based solely upon an inspection of the individual contracts (and supporting evidence). In between were various combinations of both methods. In some states, quotas for a number of counties were determined by one method and for the remainder by the other; in others, one method was used to determine the hog quota and the other to determine the corn quota. In still other states, both methods were used.¹¹

Regardless of the way the quotas were established, the relation they bore to the actual though unknown production of applicants in all probability varied appreciably. In the majority of cases the quota probably equalled or exceeded the actual base period production; in some counties, however, it seems to have been somewhat below. These cases seem to have occurred most frequently when the "state quota" method was used. It is, of course, impossible to determine exactly what the relation was between the county quotas and actual pro-

¹¹ The different methods of determining contract signers' production quotas are given additional consideration in Appendix B, pp. 316-43.

duction. The fact that some counties had less difficulty than others in reaching their quotas, that some counties never did reach them, and that other counties got below them does not necessarily give any indication of the amount of "error" in them.

The amount of overstatement in the applications of producers as indicated by the county quotas varied widely both as between counties and as between the hog production and the corn production claims. For the United States as a whole, the hogs produced for market claimed by contract applicants averaged nearly 12 per cent above the quotas. But in some counties less than 10 per cent overstatement was indicated, while in others the percentage indicated was over 100 per cent. The overstatement in 1932-33 corn acreage of contract applicants was only about 3.6 per cent, and few counties had an indicated overstatement of more than 15 per cent. The original corn yield appraisals on contracted acres ranged from 5 to 15 per cent above the 1924-33 average in the major producing states. In minor corn producing states appraised yields ran materially more than this above the ten-year average, but there seems to be good reason for believing that in many of these states the contracted acres were above the state average in productivity.

When the county quotas were released by state boards of review during May and June 1934, a storm of protest arose from farmers and committeemen. They contended that no such "padding," intended or otherwise, existed in the claims of applicants.¹² Most county allot-

¹² Allotment committees had been advised to examine all contracts and supporting evidence carefully in the interval during which the state board was establishing county contract quotas. Instead, most committees simply marked time. Some of them, it is true, went through the motions but discovered few ineligible hogs or corn acres. Most obvious cases of this kind had been removed during or immediately following contract appli-

ment committees' first reaction was to demand an upward revision of their quotas; not a few of them, indeed, thought for a while that the quotas released were the first step in a "horse-trading" deal. When this proved incorrect, some of the more recalcitrant committees took it upon themselves to organize "protest" meetings to which were invited allotment committees from surrounding counties. Frequent appeals were made to congressmen asking them to use their influence to obtain concessions from the AAA, and on June 21, 1934, at the height of the controversy, the American Farm Bureau Federation wired Secretary Wallace requesting abandonment of the county quotas.¹³

State extension supervisors, the Corn-Hog Section, and the Division of Crop and Livestock Estimates came in for a share of the blame.¹⁴ In fact, the state supervisors and junior statisticians frequently bore the brunt of the initial attack as they travelled from county to county in the field. Many of the extension supervisors, though by no means all, were inclined to side with the producer in the controversy. In the first place, they feared that to do otherwise might jeopardize the regular extension program; and secondly, they were unfamiliar with the statistical procedure involved and were somewhat skeptical of it. County agents were naturally

cation. Most committeemen were convinced that the claims were substantially correct, and saw no reason for spending more time on them.

¹³The Ohio Farm Bureau, however, repudiated this stand and supported the county quotas established by the Ohio Board of Review.

¹⁴The controversy, at least for the time being, appreciably reduced the number of reports submitted to the Division of Crop and Livestock Estimates by its volunteer reporters. The number of pig survey reports in the fall of 1934 was 12 per cent below the number of replies received in the fall of 1933 for the United States as a whole, and much less than this in some states; and the number of "intentions to plant" reports in the spring of 1935 was about 5 per cent less than usual. A new element of bias had likewise been injected into them.

even more prone to support the producers' claims. Moreover, extension workers and county agents were both closely associated with farmers and remote from Washington, and were consequently likely to see things through the eyes of producers. Indeed, state corn-hog committees, corn-hog field men, and the farmer and extension service members of the state boards of review themselves by no means solidly supported the quotas.

The attitudes of committeemen and county agents were perhaps due in part to the negligible number of cases of overstatement that had come to light as a result of publishing the claims of contract applicants. In an attempt to prevent and detect overstatement, all corn-hog control associations were required by the AAA to publish in local newspapers data showing the corn and hog production claimed by contract applicants. This was done shortly after all, or almost all, applications were completed. Relatively few cases of overstatement were reported in spite of the large amount present, particularly in producers' claims of hogs raised and marketed.¹⁵

The failure of this publicizing of claims to uncover overstatement must be laid largely to farmers' lack of specific knowledge concerning the past scale of operations of their neighbors. Since most farmers had considerable difficulty remembering how many acres of corn and how many hogs they themselves had raised in 1932 and 1933, it seems obvious that they had still more difficulty in remembering what their neighbors had done. For this reason little significance can be attached to the claim sometimes made that few reports of overstatement were received from farmers because they felt it was unethical

¹⁵ There is, of course, no way of knowing how much the knowledge that the claims would be made public prevented overstatement in the first place.

to "carry tales."¹⁶ Most control associations, incidentally, felt that the expense of publishing this material was too high and that attempts to get special rates tended to antagonize the local press which, on the whole, had supported the corn-hog program and had given it considerable free publicity.

After they had recovered from the initial shock engendered by the release of the county quotas, a number of allotment committees settled down to make a conscientious effort to eliminate the overstatement in producers' claims. This proved to be much less difficult in some counties than was expected; in others it proved to be almost impossible. In any case, the good example set by these counties, whether they were successful in removing the overstatement or not, was gradually followed by others. Moreover, much was learned from these "pioneers" concerning the kinds of overstatement most common and the ways of discovering them. State boards of review, supervisors, state committeemen, and junior statisticians were soon able to demonstrate to the laggards, by inspecting and analyzing a sample group of contracts, that all or most of the overstatement could be removed without penalizing producers whose claims were correct.

A great many of the adjustments in corn acreage and corn yields were made by flat percentage cuts on all the contracts. Because the flat cuts were usually small and because contract provisions were modified during the summer so that the cut in the corn acreage did not necessitate much revision in farming operations, these cuts entailed little hardship on most individual producers. One

¹⁶ In Missouri, however, a fair number of reports were received in a few northern counties having a large number of deeply religious farmers, but the number of reports declined rapidly in the central counties and petered out entirely in the Ozarks.

reason for the relatively small amount of overstatement in the corn acreage claimed was that committeemen in many states checked 1933 corn acreage claimed against corn stubble at the time yield appraisals were being made. The corn acreage allowed producers on completed contracts exceeded the county quotas by less than 1 per cent. The average corn yield allowed on contract applications exceeded the average 1924-33 United States yield by 3.6 bushels per acre, or 14 per cent. This was largely due to the above-average yields allowed in minor producing states. In the major producing states, except Iowa, allowed yields were no higher and frequently slightly lower, than the ten-year average for the state.

The serious adjustment problem developed in connection with producers' overstatement in the number of hogs raised for market. Though there was some demand that flat cuts to remove most or all of this overstatement be allowed, few such cuts of any appreciable size were approved by state boards of review.¹⁷ They had received definite instructions not to do so, and time and again the attention of local officials was drawn to the inequality and injustice that would result from the adoption of such a procedure.

Instead, allotment committeemen had to examine the contracts and supporting evidence minutely. They found three major causes of overstatement: (1) many hogs farrowed prior to December 1, 1931, though marketed in 1932 and 1933, were included in the hog base because many producers failed to appreciate that it was the time the hogs were farrowed that counted and not the time they were marketed; (2) many feeder pigs were included in the hogs for the market base of the producer who had purchased them instead of being included in his

¹⁷ See, however, Appendix B, pp. 343-52.

feeder pig base;¹⁸ (3) a number of producers in almost every county submitted fictitious claims for hogs raised in 1932 and 1933, frequently submitting falsified evidence to substantiate these claims. The proportion of farmers who made false claims was low, but many of those who did make them falsified on a large scale. Two less important causes of the overstatement were the tendency on the part of applicants to reserve many less hogs for farm slaughter from 1933 farrowing than were actually so slaughtered in 1932, and to include in the base some pigs farrowed after December 1, 1933.

Only a few counties did a very poor job of removing ineligible hogs, but a very considerable number failed to keep any systematic record of the number of hogs they had removed or why they had removed them. These allotment committees were in constant trouble, particularly when producers demanded reasons for the removal of hogs from their contracts. Careful and conscientious committees gave every producer an opportunity to protest adjustments in his contract claim and to file additional supporting evidence. Invariably this resulted in putting back some hogs. Yet these same committees had less difficulty than most others in coming down to the county quota. Moreover, farmers in these counties were satisfied that everyone had been accorded fair and equal treatment. As a result, they were more willing to continue to support the AAA in general, and present and future corn-hog programs in particular, than were farmers in counties where contracts may not have been adjusted any more but where the adjustments were carelessly or inequitably made.

The pressure for revision of the hogs-for-market

¹⁸ These pigs did of course constitute part of the base of the producer who sold them as feeder pigs.

quotas continued throughout the whole period in which adjustments were being made. In many major states all the adjustment required was finally made, but in a few some relaxation of the quotas seemed necessary if the contracts were ever to be completed. In these states the board of review was given authority to release contracts for transmittal to Washington even though all the required adjustment had not been made, provided the board or its authorized agents could find no ineligible hogs in a sample group of contracts.¹⁹ This procedure was used to "clear" the contracts for at least some counties in Indiana, Illinois, Iowa, and South Dakota. In Kansas, Nebraska, Missouri, and Minnesota the contract data on hogs for market as finally approved checked very closely with the original quotas. The boards of review in these states, in the absence of any real proof that the quotas in counties which were the slowest in making adjustments were not equitable, felt that to allow any increase in quotas to these laggards was simply putting a premium on procrastination.²⁰

Perhaps the most difficulty in reconciling producers' claims and county quotas was encountered in Iowa and Oregon. After about 6 million dollars had been disbursed to Iowa farmers, further payments were tem-

¹⁹ This meant the virtual abandonment of the quotas (though an official announcement to this effect was never made), and approval on the basis of contract inspection. This latter was, of course, the procedure which had been authorized from the first in the minor corn-hog states and which had been gradually extended to states of more and more importance.

²⁰ The Minnesota Board of Review early established a "contract reviewing committee" composed of five producers who had successfully removed ineligible hogs in their respective counties. Allotment committees who claimed that they were unable to reach their quotas were told that they could submit a random sample of their contracts to this reviewing committee for examination and that their quotas would be *raised or lowered* on the basis of the sample. Very few counties cared to "risk" such an inspection and instead continued to demand an increase.

porarily suspended by the AAA "pending a re-check of the county hog quotas . . . when checking work in the Rental Benefit Audit Section indicated that a discrepancy, presumably due to misunderstanding or to errors in calculation, existed between the aggregate of the county quotas actually used as a basis for contract adjustment, and the state hog quota established by the Department of Agriculture."²¹ Random samples of the contracts in all but six or eight Iowa counties were checked by employees of the Corn-Hog Section. In some counties the inspection was nominal, in others more than one inspection was made. Perhaps 10 per cent of the difference between the original contract totals and the original state quota was removed as the result of the re-check, which was naturally very unpopular.

In Oregon the hog production reported on contract applications exceeded the preliminary estimate of hog production for the state by more than 100 per cent and the state contract quota by 50 per cent. The Oregon extension service vigorously upheld the producers' contention that this quota was much too low and attempted to prove it by obtaining from all buyers of Oregon hogs a complete statement of such purchases. This "census" did indeed show purchases greatly in excess of the state quota. But federal officials claimed that there was considerable "double counting" of one kind or another in it. Contract quotas were finally established on the basis of contract inspection by employees of the AAA, though state officials claimed the analysis was arbitrarily made by persons unfamiliar with hog production in that area.

The chief criticism of the quotas by producers every-

²¹ *AAA Press Release No. 221-35*, July 28, 1934. The Iowa Board of Review claimed that the AAA had authorized an increase in the state hog quota; this the AAA denied.

where was based on their belief that the quotas had been established by comparing the contract application claims with check data that under-reported hog numbers. Where assessors' reports had been used, farmers claimed that they had consistently under-reported sows or hogs marketed in order to escape taxation. Where rural carrier reports had been used, they claimed that they had under-reported so as to mislead packers or "the market" and maintain prices at a higher level than otherwise would have been reached. It was claimed that census reports and practically all the other check data were likewise biased downward for these or similar reasons. To such charges the AAA and the Division of Crop and Livestock Estimates replied: (1) that completely independent checks, such as reports of hogs actually marketed, corroborated survey and assessors' reports; (2) that such reports as seemed to show bias were corrected for it; (3) that these reports were used as a relative and not as an absolute indication of overstatement; and (4) that among the indications considered in arriving at the quotas were the contract data themselves. No doubt state boards tended to defend a more extreme position with regard to quotas than the adequacy and accuracy of their check data warranted; but in the major areas, at least, there seems good reason to believe that the majority of the county quotas leaned toward liberality.²²

It must be admitted, however, that ineligible hogs

²² A telling argument against quotas based solely on producers' statements is to be found in a reply by the Corn-Hog Section to a petition from a Wisconsin county: "Great stress is laid by this petition on the fact that in a census and in surveys, producers understate acreage and numbers of livestock to gain a purely speculative advantage in the tax rates or market prices. To acknowledge deceit in past signed statements where the gain is purely speculative is a poor way to establish confidence in the producers' present veracity when they have a very real and concrete monetary advantage to gain."

may have been camouflaged so carefully that it was impossible to find them. To cut down contract data arbitrarily to quotas in these cases did penalize the producers who had reported correctly. It is probable that some eligible hogs were removed from some contracts in all counties.²³ In counties making flat percentage cuts, some eligible hogs were almost certainly removed from some contracts. Some counties frankly admitted that they removed eligible hogs from the contracts of producers with large hog bases in order to reach or approach the quota. In counties with inefficient or partisan committees the number of eligible hogs removed was naturally above average.

COMPLETING CONTRACTS

In spite of this radical downward readjustment in the claims of most producers, some of it rather inequitably made, more than 98 per cent of the original applications were completed and forwarded to Washington for payment. To a considerable extent this high proportion of completed contracts was due either directly or indirectly to the exceptionally severe drought in 1934. In the first place, certain contract provisions were greatly modified as a result of this drought; second, compliance was made easier; and third, benefit payments constituted the major source of income of many farmers in the regions most affected.

The relaxation of a number of the provisions of the corn-hog contract constituted one of the measures undertaken to ameliorate the effects of the 1934 drought. Successive relaxations of the provisions of the corn-hog contract during May and June permitted the pasturing

²³ Many of the hogs so removed were not, however, supported by adequate evidence. In fact, some farmers never listed some of their eligible hogs because satisfactory supporting evidence was wanting.

of contracted acres (May 23), the growing of excess forage and fodder crops and fodder corn (May 19), the planting, pasturing, and harvesting of pasture and forage crops except corn on contracted acres (June 5), and the growing of corn for forage on contracted acres (June 30). At first only farmers in officially designated drought counties were given the advantage of these modifications, but later they were made applicable everywhere.

At the time of the modification, opinion was sharply divided on the advisability and necessity of "releasing" the contracted acres. About the middle of May most extension directors and the state corn-hog committees, in response to an inquiry from the Corn-Hog Section, stated that this would be inadvisable. Queried again two weeks later, opinion was divided about 50-50 on the matter. Most members of the section felt that plenty of land was available for planting "excess" corn and forage crops without releasing contracted acres for the purpose. There was, however, considerable political pressure, and pressure from within the AAA, for such a modification; and as it turned out, it was probably advisable because of the continued severity of the drought as the summer progressed. It was very advantageous to contract signers in areas where rainfall was from moderate to normal. In many cases these farmers harvested as much as or more feed than they would have done if they had not signed contracts.²⁴ But even farmers were by no means unanimously agreed that the restrictions on contract acres should be removed. They felt that it might lessen the signer's respect for the contractual obligations of succeeding contracts, as well as the remaining obligations

²⁴ An Indiana farmer who "contracted" a clover field obtained a gross income of \$45 an acre from it, benefit payments of \$12, clover hay worth \$18, and clover seed worth \$15.

of existing contracts; that farmers would expect similar relaxations to continue; that "chiseling" would increase; and that non-compliance might become so large as to defeat in whole or in part the objective of the program. Many AAA officials felt that these objections to relaxing contract provisions were valid, but hoped through the development of other methods of control to do away with the complicated individual commodity contracts to which they were most applicable.

The relaxation of contract restrictions, as well as many of the other drought relief measures of 1934, was initiated prior to or during the period in which contract adjustments were being made. Contract applicants consequently faced a very different set of conditions when the "adjusted" contract was offered to them for final signature than they had faced when the contract application was signed. Grain prices had risen sharply in the meantime; but high grain prices afforded no reason for refusing to complete a contract when a crop failure seemed inevitable. Moreover, the restrictions with regard to crop production had been so greatly relaxed that the great majority could adjust their farming operations almost as freely as they wished and still comply with the modified contract provisions.

Nor did the status of their hog enterprise cause compliance difficulties for the majority of producers, even though material revisions were made in the base production and consequently permitted production of many producers. In the first place, hog prices remained low, especially in relation to corn prices. The drought, causing as it did an increase in the marketings of hogs and other livestock in the summer of 1934, made the hog enterprise seem still more unprofitable. Producers reacted

as usual to an unfavorable corn-hog ratio and greatly reduced their hog enterprise. They would have done this even in the complete absence of a reduction program. Thus no inconsiderable number of producers had no need, so far as 1934 hog production was concerned, for a base even as large as that on the adjusted contract. The attitude of these producers was: Here I am getting paid for something I was going to do anyway; why should I refuse to sign simply because I am not getting paid quite as much as I first expected?

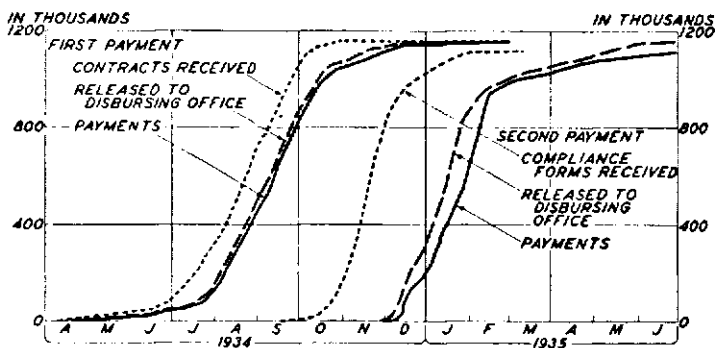
At all events, the modification of the contract restrictions facilitated completion of the corn-hog contracts. No doubt the final sign-up would have been nearly as high even if no modifications in the contract had been made; for it would have been to the producer's financial advantage to sign, especially where the drought was serious. But the modifications did improve the attitude of producers toward the program and tended to offset the antagonism growing out of the contract adjustments.

Most contracts were completed at final sign-up meetings in June, July, and August 1934, but variations among states and even within the same state were wide. Corn-hog contracts were received in Washington in greatest volume in August and September, though the first batch was received on April 10 and contracts continued to straggle in until the end of the year.

The Rental and Benefit Audit Section of the Comptrollers' Office received the contracts, checked them to make sure that they had been adjusted in accordance with the requirements of the state board of review, audited all the items in them, computed the amount of the first benefit payments, and released the records prepared from these contracts to the disbursing office of the

Treasury Department for the preparation and forwarding of checks to contract signers.²⁵ About 3 per cent of the contracts contained errors which necessitated cor-

TIMING OF MAJOR STEPS IN MAKING PAYMENTS ON 1934 CORN-HOG CONTRACTS AND COMPLIANCE FORMS^a



^a Daily data of the Rental and Benefit Audit Section and the Comptroller's Office, AAA. The number of contracts and compliance forms on which payments were made was estimated by adjusting downward the data on number of checks issued. About 150 checks were written for every 100 contracts and compliance forms.

respondence with the county association and contract signer before they could be cleared for payment. The major steps in making payments are shown in the accompanying chart.

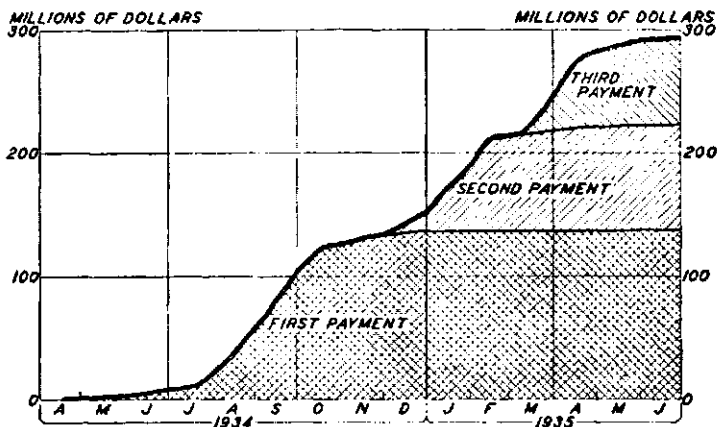
Usually not less than two weeks elapsed between the day a block of contracts was received and the day checks were forwarded to the county from Washington. First payments began to be made in volume after the middle of July and the daily volume of corn-hog checks written reached the million-dollar mark for the first time on July 28.²⁶ Most of the first instalment of corn and

²⁵ See Appendix B, pp. 352-54.

²⁶ Prior to July 15 most of the payments were made on the early payment contracts. The first checks on these were mailed out of Washington on Apr. 18, 1934.

hog payments had been disbursed by the end of October. (See the accompanying chart.) On corn these

AGGREGATE OF DAILY PAYMENTS ON 1934 CORN-HOG CONTRACTS, APRIL 15, 1934-JUNE 30, 1935



* Cumulated from daily data furnished by the Comptroller's Office, AAA. The first payment comprised one-half of the gross corn rental payments and two-fifths of the gross hog benefit payments. The second payment comprised the remainder of the corn rental payments (less administrative expense and deductions for non-compliance) and one-fifth of the gross hog benefit payments. The third payment comprised the remainder of the hog benefit payments (less administrative expense and deductions for non-compliance).

amounted to nearly 56 million dollars, and on hogs to over 81 million.

PARTICIPATION OF PRODUCERS

About 1.1 million farmers completed 1934 corn-hog reduction contracts.²⁷ This represents only a small fraction, perhaps not more than 25 per cent, of all farmers growing corn and 60 or 70 per cent of all farmers far-

²⁷ Completed corn-hog contracts numbered 1,155,294 but a relatively small number of farmers were parties to more than one contract. Pertinent statistics by states are shown in Appendix D, pp. 368-71.

rowing hogs.²⁸ The participants were located in every one of the 48 states, the number of contracts ranging from seven in Maine and ten in Rhode Island to nearly 121,000 in Illinois and over 173,000 in Iowa. It was, however, the larger corn and hog raisers who participated, and so the volume of production under contract represented a considerably larger proportion of total production than a mere comparison of the number of contracts with the total number of corn and hog raisers indicates. Even so, contract signers planted not much more than 50 per cent of the average acreage of corn grown in 1932 and 1933.²⁹ Over 85 per cent of the corn land under contract was located in the ten Corn Belt states, though less than two-thirds of all the land in corn in 1932 and 1933 was in this area.

The contracted acres represented just under 24 per cent of the base acreage of contract signers. Naturally, most of the contracted acres were located in the Corn Belt. In most states, contract signers who rented any corn land at all to the Secretary rented 25 per cent or

²⁸ Many more farmers grow corn than farrow hogs, and a considerable number of farmers raise hogs but do not have sows farrow, preferring to buy pigs from their neighbors. The difficulty of estimating the proportion of eligible producers who participated in the corn-hog program is increased because some signers, though an unknown number, grew no corn, while others did not raise hogs; because some signers did not decrease the production of corn or hogs though they were not permitted to increase it; because the contract permitted new producers to farrow two litters of hogs; because the last "count" of the number of farmers growing corn and hogs (the 1930 census) was out of date; and because the land area covered by contracts did not necessarily agree with a census "farm."

²⁹ Judging by the acreages allowed contract signers. If the quota set for applicants who completed their contracts is taken as the criterion, the proportion under contract was 52.1 per cent of the estimated average 1932-33 corn acreage rather than 52.5 per cent. Both corn acreage quotas and corn acreages allowed are slightly in excess of actual corn acres planted by contract signers in 1932 and 1933 (leaving overstatement aside). This is because administrative rulings permitted certain producers larger corn bases than their actual 1932-33 averages.

more, but the average for the state was pulled down by exceptions to the provision requiring at least a 20 per cent reduction in the land in corn.

In 1932 and 1933, contract signers raised somewhat less than 77 per cent of the total number of hogs raised and sold, or slaughtered for consumption on the farm. According to the Division of Crop and Livestock Estimates, an average of 13.8 million sows farrowed in 1932 and 1933. The corn-hog contracts listed an average of nearly 10.5 million sows farrowed in 1932 and 1933 by signers.³⁰ Thus 76 per cent of all the litters farrowed in 1932 and 1933 were farrowed by signatories to 1934 corn-hog contracts.³¹ Nearly 84 per cent of the litters farrowed by contract signers in 1932 and 1933 were farrowed in the ten Corn Belt states, whereas less than 75 per cent of all litters farrowed in 1932 and 1933 were farrowed in this area.

There were about 81.4 million "pigs saved" annually in 1932 and 1933, according to the Division of Crop and Livestock Estimates. Perhaps 74 million, or 91 per cent, were raised to disposal age. Contract signers marketed just under 54 million hogs in the base years³² and slaughtered 3.6 million for home use. Hence the number of hogs raised to disposal age by the contract signers represented 77 per cent of all hogs raised in 1932 and

³⁰ The contracts actually listed nearly 10.6 million litters. The difference represents the allowances made for sows sold during the emergency hog marketing campaign and for new producers (including a small allowance for "transferred hog bases").

³¹ On the assumption that the contracts correctly reported litters. Actually, the number of litters shown by the contracts was 1.1 per cent larger than the quotas for the contracts. Furthermore, these quotas lean toward liberality. See p. 106.

³² Deducting for the allowances for sows sold during the emergency pig campaign and for new producers, and assuming that the hogs for market as finally reported on the contracts were substantially correct though they were 1.6 per cent larger than the quota.

1933. A larger though unknown percentage of 1932-33 commercial hog marketings was raised by contract signers because the "sign-up" was largest in the Corn Belt and among the larger producers elsewhere. These producers characteristically raise the commercial supply. The difficulty of estimating the proportion of the commercial production under contract is due to the fact that the hogs raised for market reported by contract signers included many hogs sold to rural and urban consumers. Such hogs are not included in estimates of commercial slaughter.

Less than 20,000 contracts or 1.7 per cent of the applications were not completed. According to the reports of a dozen extension directors, about one-half of these applications were not completed because the adjustments made on them were refused by the applicants. The other half were not completed because for one reason or another the producer was "ineligible." Perhaps in many of these cases the ineligibility was due to the fact that the producer was unable to comply with the provisions of the application at the time it was ready for final signature. There seems to have been a slight tendency for the percentage of applications not completed to be lowest in states where the drought was most severe.

COMPLIANCE

The concluding step in the 1934 corn-hog reduction program involved the checking of compliance and the subsequent distribution of the second and third instalments of the rental and benefit payments.³³

The corn-hog contract in its original form allowed the producer (with a single exception) only one alternative to complete compliance. This alternative was for the signer to return his benefit payments and have the

³³ See also Appendix B, pp. 354-59.

contract cancelled. In this respect the corn-hog contract was no different from other commodity contracts. But, primarily because of the delay in completing corn-hog contracts, late in the summer of 1934 violators were offered an alternative to cancellation. They could elect to pay a "penalty" for each violation. This unique system of penalties was developed largely as a result of promises, both direct and implied, that special consideration would be given to cases of unintentional violation largely due to the unavoidable delay in completing contracts.³⁴ In some cases this delay had made it impossible for a producer to comply. Relying on the original representations in his contract application, which he honestly believed and which indeed may have been correct, he may have raised and sold more grain or hogs than he was permitted to do under the terms of the adjusted contract. In other cases, the producer could have made the necessary adjustments had not the unprecedented severity of the drought made the destruction of feed or food supplies inexpedient. In still other cases, producers thought they had fulfilled their contractual obligations but found when compliance was being checked that they had mistaken the size of a field or overlooked an important ruling.

Three penalty rates were established for each of ten major kinds of violation.³⁵ The maximum deduction was made for intentional or unexplained violations; the minimum for satisfactorily explained unintentional violations; the intermediate for those neither expressly intentional nor entirely unexplainable violations which

³⁴ "County allotment committees may be assured that the penalties imposed will be commensurable with the extent of the violation of the contract." *Instructions for Use of Compliance Forms (C-H 55)*, AAA, p. 1.

³⁵ Officially, cases of contract violation were called cases of "partial compliance" and the penalties were referred to as "deductions."

nevertheless did not satisfy the requirements for a minimum deduction. The penalty rate assessed was determined largely by the recommendations of the county allotment committee and local supervisors.

While purely arbitrary, these rates were designed to offset the probable financial gain accruing to the producer by reason of his violation. The maximum penalty of 45 cents on corn³⁶ was equal to the corn loan rate and somewhat below the farm price at the time. If the maximum rate had been rigidly applied the net penalty—the difference between the penalty assessed and the value of the “illegal” product—depended entirely on the value of that product. Over large areas where most if not all of the crop was a complete or partial failure, the penalty greatly outweighed the value of the “illegal” crop. In sections where crop production was average or better, the reverse was true. There was, however, some tendency to assess a larger absolute penalty in areas where the crop was good than where it was very poor.

Producers who offered to accept and were assessed this type of penalty retained the “excess” product for the production of which they had been penalized. In the case of excess hogs the producer could, and usually did, adopt another type of “penalty” which in effect resulted in complete compliance. Producers were permitted to donate their excess hogs to qualified relief organizations. The detailed procedure was determined by the state director of extension (or commodity representative) and the state relief administrator. Consequently, it varied considerably from state to state. In all, about 80,000 pigs weighing between 30 and 90 pounds were turned over

³⁶ The deduction was calculated by multiplying the number of excess acres of corn by the appraised corn yield on the contracted acres and the resultant sum by 45 cents.

to local relief units. The largest number, about 21,000, was donated in Iowa, but relative to the number of hogs under contract the proportion donated in this state was no larger than in most other states.

The provisions for assessing penalties and for disposing of excess hogs did not simplify the actual checking of compliance, which was complicated by two important differences between the obligations of corn-hog contract signers and those of signers of other commodity contracts. The first of these was the obligation to reduce hog production, which raised a host of problems in connection with compliance not encountered when the major obligation was to reduce acreage, as in the wheat and cotton programs. The second was the all-inclusive character of the "supplementary" provision of the corn-hog contract. The original contract proposed to control the production, or at least the acreage, of a long list of other commodities as well as to reduce the acreage of corn and the number of hogs raised for market. With this object in mind, provisions were inserted limiting the total acreage of feed crops, of other "basic" crops, and of total crops, as well as the use to which the acres retired from corn production could be put, and so on. These provisions constituted the most ambitious attempt on the part of the AAA to prevent curtailment in the production of one commodity from resulting in "surpluses" of others.

The problem of compliance, however, was simplified in some respects by the drought. In the first place, the relaxation of the supplementary provisions that resulted from the drought obviated the necessity of making anything more than the most cursory inspection with respect to compliance with these provisions. The release of the contracted acres for a wide variety of uses in many cases made a careful inspection of this land unnecessary

—for one reason because additional land was frequently available for and eligible as contracted acres. Undoubtedly many farmers who had intentionally or unintentionally violated the original provisions of the contract automatically complied with its modified terms.

In the second place, because of the drought, county allotment committees were “permitted to authorize supervisors to make certification by visual inspection rather than measurement”⁸⁷ (1) of all fields for which corn yields promised to be less than 40 per cent of the adjusted appraised yield of the contracted acres; (2) of rented or contracted acres “where it was perfectly evident that much more land is available than is required for the purpose”; (3) for compliance with the supplementary provisions of the contract unless it appeared that, in spite of all the modifications in these provisions, the signer had managed to violate one or more of them.

The actual field work of checking compliance was done by “supervisors” under the direction of the county allotment committee and supervised by state compliance officials. As in other phases of the program, the federal and state extension services bore a large part of the responsibility, particularly in instructing local supervisors in compliance procedure. Most inspections for the first check of compliance were made in September, October, and November 1934. At that time compliance certificates were prepared and forwarded to Washington for all producers who had complied with the acreage provisions of their contracts, and whose hogs sold or to be sold did not exceed the permitted number by more than 5 per cent. More than 85 per cent of all corn-hog signers could

⁸⁷ *Extension Service Stencil No. 8828*, U. S. Department of Agriculture, Aug. 3, 1934, p. 3. Permission to make “visual” inspection was first confined to emergency and secondary drought areas, but later (Aug. 23) was extended to the entire United States.

be immediately certified as in complete compliance with their contracts; two-thirds of the remainder elected to make the adjustments necessary to comply with their contracts. In about 32,000 cases, or 3 per cent of all cases, producers were unable or unwilling to make the necessary adjustments and elected to accept the penalty alternative. Most of these violators had too much corn for grain.

The same procedure was followed in making the final check of compliance with respect to hog production. Most of these inspections were made during the first half of December and as of November 30, 1934, the termination date of the 1934 contract. Less than 1 per cent of the contracts involved were reported in this final check as having violated the provisions with respect to hog production. Most of these violations had to do with feeder pig purchases, or the number of hogs slaughtered or to be slaughtered for home consumption.

The procedure used in making second and third payments from certification forms was the same as that used in making first payments from the contracts. It was complicated, however, by (1) the necessity of making sure that the provisions limiting the aggregate production of corn on the non-contract farms of contract signers had not been violated; (2) the necessity of deducting the local association expenses from the second corn payment and the third hog payment; (3) the necessity of assessing, calculating, and deducting the penalties for violations from the second and third payments. Total deductions for partial compliance may amount to about \$400,000.

Second payments were made in largest volume in January and February 1935. The second corn payment amounted to 50 million dollars and the second hog pay-

ment to 40 million. The final hog payment, amounting to 72 million, was made largely during the last half of March and April 1935. (See the chart on page 121.) Payments on contracts for which penalties had to be assessed did not start until about the first of May. On August 1, 1935, one or more payments still remained to be made on about 12,000 of the 1934 contracts. This was partly because some partial compliance cases remained unsettled but for the most part resulted from other contract complications.

The compliance experience of the AAA in the 1934 corn-hog program provides no criterion by which to forecast what may be expected in future programs. The amount of reported violation was exceptionally small and much of it appeared to be unintentional. Indeed, for a small group of violators, non-compliance was strictly "technical." These producers knew the size of their fields, had first-class evidence supporting their hog base, and made every effort to comply with the provisions of the contract. But the bona fide representations on these contracts may have been arbitrarily cut in order to reach or approach the quota, and as a result the producer found himself with too much corn for grain or too many hogs for market. In this group were those producers who, in spite of the most conscientious effort, misinterpreted one or more of the provisions or modifications or failed to obtain information on rulings of one kind or another.³⁸

For a larger group of violators, non-compliance was the result of carelessness rather than intention. These violators did not know the exact size of their fields and did not take the trouble to find out. They did not know

³⁸ For example, the latest date before which corn had to be cut for forage was released by the AAA so late that many farmers never heard of it until the date had passed.

just what they were and were not permitted to do, and did not bother to become informed, even when the information was readily available. If the contract provisions had not been relaxed, many producers who were certified as having complied in full would have fallen into this group. Probably some "technical" and some careless violators were never reported by compliance supervisors. This happened in spite of the AAA promise that such violators would be leniently dealt with. Supervisors and allotment committeemen tended to be lenient with these violators, since they frequently felt that the fault lay wholly with the Adjustment Administration. No doubt the development of a system of penalties resulted in more reported cases of these kinds of non-compliance than would otherwise have been the case.

On the other hand, most of the same local authorities carefully reported all cases of intentional non-compliance that came to their attention, even though nature had conspired to defeat the intentions of the violator. Some signers deliberately overplanted corn, or raised more hogs for market than they were permitted even according to the representations they made on the contract applications. They may have expected that the compliance check would be merely a matter of form, or they may have hoped to plan ways of evading it. No doubt this same group of producers was largely responsible for most of the deliberate overstatement on contract applications. No doubt, too, some of this group of producers got by with both overstatement and non-compliance.³⁹

³⁹ Producers, however, tended to report more of their neighbors for non-compliance than for overstatement. This lends support to the belief that most producers did not have very accurate knowledge of the past production of their neighbors. Once contracts were in effect, however,

The incentive to violate the 1934 corn-hog contract was very small, however, first because of the effects of the drought, and second because of low hog prices. Most producers were planning to reduce hog production anyway. There was certainly little incentive deliberately to plan to produce too many hogs. Most violations of the hog production provisions of the contract were due to unusual luck in saving pigs or to an unexpectedly large adjustment in the base. Even in these cases the gain that seemed likely to result from evading compliance did not seem worth the risk involved. Thus most producers turned their "excess" hogs over to the local relief unit.

it would seem that there was a conscious or unconscious effort to become informed regarding current operations.

CHAPTER VII

FINANCING THE CORN-HOG PROGRAM

The 1934 corn-hog reduction program involved gross rental and benefit payments of about 312 million dollars—110 million for corn rental and 202 million for hog benefit payments. Other expenditures incurred by the Agricultural Adjustment Administration in its efforts to increase the income of the producers of corn and hogs included 32 million dollars spent during the emergency hog marketing campaign, 11 million for purchasing (in co-operation with the Federal Surplus Relief Corporation) hogs for relief distribution, and 7 million for administrative expenses (up to January 31, 1935)—a total of 362 million dollars. These expenditures were made, in the main, out of the revenue derived from a tax on the "first domestic processing" of hogs.

The Agricultural Adjustment Act provided for the collection of processing taxes on the first domestic processing of any basic agricultural commodity with respect to which the Secretary of Agriculture had determined to make rental or benefit payments.¹ The tax which was to go into effect at the beginning of the marketing year next following the date on which the Secretary proclaimed that rental or benefit payments were to be made was to be at a rate equal to the difference between the current average farm price for the commodity and its fair exchange value, *except* where the imposition of this rate would cause such a reduction in the quantity of the

¹ See Chap. II, pp. 38-41; see also J. S. Davis, *Wheat and the AAA*, pp. 176-86, for a detailed presentation of the original tax provisions and the principal amendments thereto.

commodity domestically consumed as to result in an accumulation of stocks or depression of prices. In the event that this contingency seemed probable, the Secretary was empowered to fix the tax at such a rate as would prevent it.

On August 18, 1933, in order to make it legally possible to obtain advances from the Treasury to finance the emergency hog marketing campaign, the Secretary of Agriculture announced that benefit payments were to be made with respect to hogs,² though no decision concerning the rate of the tax or the date that it was to take effect had at the time been made. The AAA was convinced that the imposition of the full legal rate (about \$4.70 a hundredweight) would depress farm prices. A public hearing was held on September 5, 1933 at which interested parties were afforded an opportunity to suggest a rate which would prevent this depression in farm prices and to present their arguments in support of the suggested rate.³ At the same time, an "appropriate investigation" was made by the AAA and a decision on the matter finally reached. On October 19, 1933 the Secretary announced that the initial rate of processing tax on hogs would be 50 cents a hundredweight; that the rate would be increased to \$1.00 on December 1, to \$1.50 on January 1, 1934, and to \$2.00 on and after February 1; and that the next marketing year would begin November 5, 1933, the initial tax thus becoming effective as of that date. On December 22, 1933, when it appeared probable that hog marketings would continue to be heavy through January 1934, the rate increase scheduled for January 1 was postponed to February 1, the rate effective on and after March 1 being increased to \$2.25. This rate

² See Chap. IV, note 12, p. 70.

³ See D. A. FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 84-85.

was thereafter continued in effect, the Secretary not having deemed that an "effectuation of the declared policy" required any change in it.

One reason for the decision to make the initial tax low was the provision in the Agricultural Adjustment Act which required the collection of a "floor stocks" tax on stocks in storage at a rate equivalent to the initial processing tax when the latter was put into effect. It was felt that a high initial rate of processing tax with a concomitant high floor stocks tax would cause the dumping of storage stocks of pork and lard, which were unusually large, and depress hog prices, which were already extremely low. At the time the act did not require the collection of additional floor stocks taxes whenever the rate of processing tax was changed, so that this difficulty was no longer a factor after the initial rate had been put into effect.⁴

Not all hogs slaughtered were taxable, however, and refunds of taxes were required by the act to be made on export and on sale to charitable organizations. These exemptions and refunds obviously reduced the net revenue from the tax. Producers were exempt from the payment of processing taxes on hogs slaughtered for use on the farm. Consumers who bought live hogs for home use were likewise exempt. Producers, moreover, who did not sell more than 1,000 pounds of hog products annually were exempt from the payment of processing taxes on sales up to 300 pounds.⁵ No exemptions were al-

⁴ The Flannagan amendment approved June 26, 1934 provided that an additional floor stocks tax be collected whenever the processing tax rate was increased and that an equivalent refund be made on stocks in store whenever the rate was lowered unless the increases had been made prior to the passage of the amendment.

⁵ Sec. 15 (b) of the act authorized the Secretary to exempt from taxation processing by producers for sale "where in the judgment of the Secretary the imposition of the processing tax with respect thereto is unnecessary to

lowed on sales by producers when these sales exceeded 1,000 pounds annually.

The Agricultural Adjustment Act also authorized the collection of "compensatory" taxes on imports of hog products and on products competing with hog products. But these taxes were to be levied primarily for the purpose of preventing "excessive shifts in consumption," not of raising revenue, and in practice they added little to the receipts from processing taxes proper. The "mandatory" tax on imports of hogs and hog products yielded little because such imports are almost negligible. The "permissive" tax on products competing with hogs (beef, mutton, poultry, even fish) was not levied, for one reason because it could not be shown that the processing tax on hogs resulted in disadvantages in competition to *processors* of hogs since the same group likewise processed other kinds of livestock.

There was also a processing tax on the first domestic processing of corn for non-feed uses. It became effective at the beginning of the marketing year next following the Secretary's announcement that rental payments were to be made to producers for reducing corn production. On October 24, 1933 the Secretary announced that the full legal rate of tax—28 cents per bushel—would become effective November 5. On November 2 and 3 a hearing was held to allow interested parties to present evidence bearing on the effect of this rate on commercial corn consumption and on corn prices. As a result of the evidence presented at this hearing, particularly that relating to the competition between corn sugar and beet and cane sugar, and an investigation by the AAA, the initial rate was reduced to 5 cents. A

effectuate the declared policy." The pressure on the AAA to make even larger exemptions was very great.

scheduled increase of the rate to 20 cents on December 1 was countermanded on November 30, and no further changes in the rate were made.

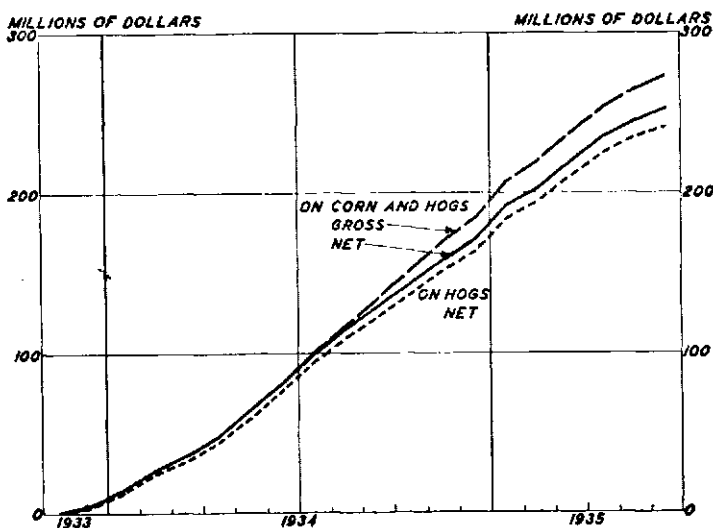
There was, finally, a compensatory tax on imports of corn. Little revenue could be expected from this tax, however, since corn imports, though unusually large following the short corn crop of 1934, remained small relative to United States production. No compensatory tax was levied on products competing with corn, although such a tax had considerable revenue producing possibilities. Had a high corn processing tax been levied, resulting in competitive disadvantages to corn processors, compensatory taxes on the processing of beet and cane sugar, molasses, starch, sago, and a host of other products would have been legally necessary. It was partly to avoid the difficulties incident to the levying and collection of such compensatory taxes that the processing tax rate on corn was set and maintained at only 5 cents a bushel.

The overwhelming importance of the processing tax on hogs as a source of revenue for financing the corn-hog program is indicated in the following table, which shows receipts and refunds of processing and related taxes on hogs and corn up to February 28, 1935, in millions of dollars:

| Tax | Receipts | Refunds | Net Receipts | Percentage Distribution |
|-------------------------|----------|---------|--------------|-------------------------|
| Hogs: | | | | |
| Processing | 203.6 | 15.4 | 188.2 | 92.5 |
| Import compensatory ... | .1 | — | .1 | — |
| Floor stocks | 6.3 | .3 | 6.0 | 3.0 |
| Corn: | | | | |
| Processing | 8.0 | .1 | 7.9 | 4.0 |
| Import compensatory ... | 1.1 | — | .1 | — |
| Floor stocks | 1.1 | — | 1.1 | .5 |
| Total | 219.2 | 15.8 | 203.4 | 100.0 |

The receipts from floor stocks taxes, indeed, can scarcely be considered as permanent revenue since, if and when the processing taxes are removed, refunds on floor stocks at a rate equivalent to the processing tax have to be made. Thus if the \$2.25 tax on hog processing were removed, refunds on floor stocks would greatly exceed original collections on them.⁶ Gross and net tax collections through June 1935 are shown on the accompanying chart.

CUMULATIVE MONTHLY COLLECTIONS OF PROCESSING AND RELATED TAXES ON HOGS AND CORN
NOVEMBER 1933-JUNE 1935^a



^a Compiled from monthly reports of the Bureau of Internal Revenue (and excluding unallocated collections).

⁶ This "difficulty" could be obviated by first reducing the processing tax to the initial rate and then removing it. In this case a refund equivalent to only a 50-cent processing tax need be made. (See note 4, p. 135.) However, since the collection and refund of floor stocks taxes were intended

In addition to being levied at a rate less than the legal maximum, the processing tax on hogs (and on corn) was unique in another respect. It was levied for more than one year to pay for a one-year reduction program. This grew, on the one hand, out of the difficulty of financing the large benefit payments as well as the emergency measures from the proceeds of a tax levied at less than the maximum legal rate; and, on the other, out of the impossibility of collecting enough revenue from taxes on the small volume of corn processed for non-feed uses to equal the rental payments for corn reduction. This latter difficulty was in part overcome by allocating for corn rental payments some 37 million dollars from the 100 million dollar Bankhead fund which the National Industrial Recovery Act had appropriated outright for facilitating the carrying out of the objectives of the Agricultural Adjustment Act.⁷ It was expected that about one-half of the expenditures for corn rental payments could be met by this 37 million dollars and the receipts from the processing taxes on corn. This forecast turned out to be rather accurate, in spite of the decrease in the revenue from corn processing taxes which resulted from maintaining the rate at 5 cents a bushel, solely because corn rental payments turned out to be 50 million dollars less than was initially forecast.

This still left the remainder of the rental payments

to prevent undue trade disturbances when processing taxes were initiated and discontinued, this device might defeat the very purpose of the floor stocks tax.

⁷ Of the remaining 63 million dollars, 60 million had been used to carry out the cotton option provisions of the Agricultural Adjustment Act (see H. I. Richards, *Cotton under the AAA*, Chap. IX), and 3 million to purchase the capital stock of the Commodity Credit Corporation (see Chap. XI below). The 100 million dollar appropriation authorized by the Agricultural Adjustment Act itself has so far had charged against it only those administrative expenses of the AAA which could not be allocated to any commodity program being financed by processing taxes.

for corn reduction, all the benefit payments for hog reduction, the expenses of the emergency hog marketing campaign and relief purchases of hogs, and administrative expenses to be paid out of the processing tax on hogs. In order to raise the revenue necessary for these purposes, even when the tax was fixed at the highest "practical" rate, it was decided to levy it for a period of two years. While this procedure was determined upon largely on the basis of expediency, considerable justification for it can be found in the fact that the measures undertaken were also expected to maintain or increase hog prices for two years—for the 1933-34 marketing year by the two emergency measures, and for the 1934-35 marketing year by the 1934 reduction campaign. If this reasoning had been strictly adhered to, tax collections in 1933-34 would have been just enough to pay for the emergency hog marketing campaign and the relief purchases. Actually more than three times the 43 million dollar cost of these measures was collected from the tax on 1933-34 hog marketings.

In spite of the accumulation of this "surplus" revenue from the tax on 1933-34 hog marketings, disbursements to the end of the 1934 corn-hog reduction program promise to exceed revenue up to the end of the two-year taxation period by from 15 to 20 million dollars. This "deficit" was due to a combination of circumstances, some of which could not have been foreseen.

The preparation of the corn-hog budget was no simple task, though use was made of all the information available. In the first place, the budget was based to a considerable extent either directly or indirectly upon a series of more or less accurate guesses—they could hardly have been called estimates, since the latter presupposes at least some past experience or sample data as a

starting point. The corn-hog budget involved a guess as to the rate of tax that would not result in an accumulation of surpluses or a depression of farm prices; a guess as to the volume of corn and hog reduction that would be signed up on contracts; a guess as to the net taxable volume of corn and hog marketings, which in turn involved a guess as to exports, exemptions, and gifts to charitable institutions; a guess as to percentage of corn land rented to the government; a guess as to its yield; and even a guess as to the amount of tax evasion. It involved estimates of corn and hog production in 1932 and 1933, estimates of the costs of the emergency hog marketing campaign, estimates of the cost of relief purchases of hogs and hog products, and estimates of administrative costs. In view of all these difficulties, a wide margin of safety would have been desirable. Actually, the corn-hog budget was never more than just barely in balance, and though two items of "cost" were materially overestimated, the receipts from processing taxes ran even further below expectations.

Total expenditures to the end of the 1934 program were 362 million dollars⁸ as compared with an original estimate of 430 million dollars. This discrepancy was due (1) to a much smaller corn acreage sign-up than had been figured on, corn rental payments actually amounting to 110 million dollars as compared with an original estimate of 165 million dollars; and (2) to the fact that expenditures for relief purchases of hogs amounted to only 11 million dollars instead of the estimated 30 million.

⁸ Including administrative costs up to Jan. 31, 1935 (and estimated tax collection costs up to Oct. 31, 1935). Some administrative expenses of the 1934 program were incurred after this date, but it is assumed that they were offset by expenses incurred before this date but really allocable to the 1935 program.

Processing and related tax receipts up to the end of the 1934-35 marketing year promise to be about 80 million dollars less than the original forecast of 394 million. This difference between facts and forecasts must be laid to three factors: (1) tax evasion, particularly on hog processing; (2) failure to increase the processing tax rate on corn from 5 to 20 cents a bushel; and (3) a reduction in hog marketings in 1934-35 double the reduction expected at the time the budget was prepared.

In the preparation of its budget, the Corn-Hog Section assumed that there would be a net reduction of 18 per cent in taxable hog slaughter in the year ending October 31, 1935. This assumption was based upon the belief that the 25 per cent decrease made by 1934 contract signers would be offset in part by the action of non-signers in maintaining or increasing production. As it turned out, owing to an unusually unfavorable corn-hog ratio and the severe drought, hog production in 1934 was reduced nearly twice as much as was expected when the budget was prepared.⁹ This accounts for nearly half the difference between actual receipts of processing taxes and forecasted receipts.

The revenue from processing taxes on corn was only 25 per cent of the receipts that would have been obtained if the processing tax rate on corn had been increased to 20 cents a bushel as was originally contemplated.¹⁰ This reduction in receipts from processing taxes on corn accounts for perhaps a fifth of the "deficit."

The remaining deficit was due to tax evasion of one

⁹ Based on the June 1 and Dec. 1, 1934 pig surveys, which indicate 33 per cent less pigs saved in 1933-34 than in the previous marketing year.

¹⁰ Assuming that the 20-cent rate would not have decreased commercial corn consumption. Since it was maintained when prices rose more than 20 cents because of the drought, this does not seem an unreasonable assumption.

kind or another. Since exemptions have not been materially different from budget estimates, the extent of the evasion is indicated by the fact that gross collections from processing taxes on hogs up to December 1, 1934 were only 169 million dollars, whereas up to October 31, about 173 million dollars was due on federally inspected slaughter and an additional 43 million on non-federally inspected slaughter.¹¹ This allows for a two-month lag in collections.¹² Perhaps the lag between processing and collection is longer than two months, but it can scarcely be nearly five months as would be necessary if the disparity between actual and estimated collections were to be fully accounted for on this basis.

A certain amount of reorganization of hog marketing procedure to take advantage of exemptions was bound to occur. Thus meat retailers in small towns and villages, particularly in the Mid-West, claimed that their sales of pork products to farmers declined materially. Farmers who used to sell hogs and buy back the product began to slaughter for their own use. Farmers who did not raise hogs found it worth while to buy live hogs from their neighbors and slaughter them. Other consumers felt the same way. This method of "evading" the tax was legal. But, as the centers of hog production and hog consumption are geographically far apart, most of the

¹¹ About one-third of all hog slaughter is non-federally inspected; and, while a considerable proportion of this slaughter was exempt from taxation, it was estimated that taxes were legal and could be collected on one-half of it.

¹² The regulations of the Bureau of Internal Revenue allow processors a month in which to file returns following the month in which the processing occurred. Sec. 19(b) of the Agricultural Adjustment Act, as modified by the Flannagan amendment, further provides that the Secretary of the Treasury may permit postponement of payment of processing taxes for a period not exceeding 180 days. According to the Bureau of Internal Revenue, relatively few such postponements were authorized.

processing and distribution of hog products was bound to remain in the hands of packers, who found it both difficult and dangerous to evade the tax even if they wished to. Moreover, one should hasten to add that the major portion of the packing industry adequately reported taxable slaughter. Evasion was apparently most common among a group of packers, bulking large in number but handling a relatively small portion of the total, who tended to underreport both the number and weight of hogs slaughtered. To a less extent taxes were evaded by producer "peddlers," and perhaps by retailers who did their own slaughtering. It was difficult to prevent this type of evasion completely, but, in any event, it does not appear to have been important. The evasion of processing taxes on hogs seems to have been somewhat larger than one would expect and was probably somewhat larger than it would be after the Bureau of Internal Revenue had gained experience in collecting such taxes.

The cost of collecting these processing taxes has been very moderate. Up to December 31, 1934, the AAA had been billed for 4 million dollars by the Bureau of Internal Revenue for collecting approximately 641 million dollars in all processing and related taxes. Allocated to the several commodities in proportion to the revenue collected from the several taxes, this cost represents 0.6 per cent of collections.

Total administrative costs (about 18.6 million dollars) were of two kinds—expenses paid directly by the AAA as part of the overhead, and the administrative expenses of the 2,200 county corn-hog control associations. The former, amounting to about 6.9 million dollars, were charged against the corn-hog program and paid directly out of processing taxes. The latter, amounting to about 11.7 million dollars, were deducted from the

rental and benefit payments due contract signers.¹³ Thus the amount received by producers as rental and benefit payments in connection with the 1934 corn-hog program was approximately 300 rather than 312 million dollars. Most of the local association expense, however, consisted of salaries and per diem paid to local committeemen who were farmers. From 60 to 85 per cent, and on the average about 75 per cent, of the local association budgets went for salaries and per diem of committeemen and supervisors, and the remainder for equipment and supplies, publishing contract signers' production claims, secretary's salaries, and similar expenses.

For the United States as a whole, something less than 4 per cent of the gross rental and benefit payments had to be deducted to operate the local associations. The percentage deduction, however, varied greatly from county to county, even within the same state. In some counties, less than 2 per cent of the gross rental and benefit payments had to be deducted for local administrative expense; in other counties as much as 20 per cent had to be deducted.¹⁴ As a general rule, the percentage deducted decreased as the gross rental and benefit payments increased. Few counties with \$300,000 or more rental and benefit payments deducted more than 4 per cent for local expenses. In counties where rental and benefit payments were less than \$100,000, 8 per cent or more was frequently deducted. Rather surprisingly, though the expense per contract varied widely, being as low as \$1.00 and as high as \$25.00, there was no tendency for it to decrease as the number of contracts in a

¹³ See Appendix B, p. 357.

¹⁴ In some counties with only a handful of contracts—perhaps not more than two or three dozen—producers contributed their services free, and other expenses were absorbed by local farm bureaus. In these instances no deductions from the gross payments were necessary.

county increased; but the expense per contract tended to increase rather sharply as the benefit payments per contract increased.

The average expense account in 1934 was probably somewhat larger than it would be in succeeding years. The cost of checking compliance might be greater, but most other expenses should be materially less. If the 1932-33 base were to be maintained, the allotment committee should not have to spend much time adjusting contracts for overstatement. The major problem might be to prevent committeemen from making jobs for themselves.¹⁵

The percentage of benefit payments deducted for local administrative costs is significant only in comparing one county with another. This percentage varies not only with the expenses incurred but also with the volume of benefit payments. Deductions for local expenses equal to perhaps 50 per cent of rental and benefit payments might not be unreasonable if the latter were small. Under these conditions, the gain to producers would presumably come about through the enhancement of market prices. Expenses consequently should be related to gains from the program as a whole rather than to benefit payments alone.

The estimated administrative expenses (excluding tax collection costs computed at 1.6 million dollars) paid by the AAA in connection with the 1934 corn-hog re-

¹⁵ One state official reported (September 1934): "The biggest job we have on our hands now is to get committeemen to go home. During the spring when farm work was pressing, they had to spend all their time on committee work and hire extra farm labor. The \$3.00 or \$4.00 a day looked pretty small then. Now, there is nothing to do on the farm; the same \$3.00 or \$4.00 is clear gain. Some committeemen find jobs for themselves stamping numbers on contracts and doing other routine jobs that a clerk or stenographer could do twice as quickly and at less than half the cost.

duction program amounted to about 5.3 million dollars. Nearly two-fifths of this sum represents expenses incurred by the federal and state extension services in connection with the 1934 corn-hog program and paid for by the AAA. Most of this 2 million dollars was allocated to and expended by the state extension services. The state extension service expense varied from \$1.00 to \$2.00 per contract in the Corn Belt states, and from \$3.00 to \$30.00 per contract in most other states.

The expenses of the Corn-Hog Section proper amounted to nearly one-half the total. Included in this term, however, were salaries and expenses of state corn-hog committees and other field personnel attached to the Corn-Hog Section. The Bureau of Agricultural Economics expended about three-fourths of a million dollars in the determination of contract quotas and overstatement and in assisting to adjust contracts. The estimated expenses of the Corn-Hog Section and co-operating government agencies in connection with carrying out the 1934 corn-hog program are summarized in the accompanying table:¹⁸

| Government Agency | Washington | Field | Total |
|--|-------------|--------------|----------------------------|
| Bureau of Internal Revenue | \$ 302,000 | \$ 1,270,000 | \$ 1,572,000 ¹⁷ |
| Corn-Hog Section | 2,553,000 | — | 2,553,000 |
| Extension Service | 36,000 | 1,990,000 | 2,026,000 |
| Bureau of Agricultural Economics | 149,000 | 606,000 | 755,000 |
| Sub-total | 3,040,000 | 3,886,000 | 6,906,000 |
| Corn-Hog control associations | — | 11,738,000 | 11,738,000 |
| Grand total | \$3,040,000 | \$15,604,000 | \$18,644,000 |

¹⁸ Compiled from data made available by the Comptroller's Office of the AAA.

¹⁷ Collection costs for two years ending Oct. 31, 1935, estimated on the basis of \$201,000 for Washington expenses, and \$847,000 for field expenses, for 16 months ending Feb. 28, 1935.

LEGALITY OF PROCESSING TAXES

Processors at first either did not question the legality of the processing tax or else were willing to give the AAA a chance to prove its worth before taking legal action. For several months after the levying of the tax no suits were filed to restrain collection, and during the entire year 1934 only nine suits were instituted which questioned the legality of the tax. In 1935, however, a slowly rising tide of proceedings which assumed the proportions of a flood in June and July came into the nation's courts. Before June 1, 1935 a total of 20 cases had been filed which sought injunctions to restrain collection of the taxes. On August 1, 1935 there were approximately 600 such cases awaiting trial, 150 of which were filed by meat processors. In many of the cases temporary injunctions preventing collections of the tax have been issued, a step which has reduced the monthly income from this source by more than half.

The first judicial test of the processing tax was the case of *Franklin Process Co. v. Hoosac Mills Corporation*, filed in March 1934 and heard in the District Court of Massachusetts. In that case the United States filed a claim with the receivers of the Hoosac Mills, processors of cotton, for some \$80,000 assessed as processing and floor stock taxes. The receivers petitioned that the claim be disallowed on the ground that the Adjustment Act was unconstitutional.

The District Court in its decision, handed down on October 19, 1934, declared both the processing and floor stock taxes to be valid excises. It found that the act conferred a degree of legislative power upon the Secretary of Agriculture, but hesitated, largely because of lack of precedent,¹⁸ to declare such delegation unlawful. The

¹⁸ The *Schechter* case declaring the NRA unconstitutional was not decided by the Supreme Court until May 27, 1935.

third issue, namely, whether the act encroached upon the sovereignty of the several states, was decided in favor of the government, in view of the supposed need for centralization and in view of the fact that conformity to the act was, the court said, purely voluntary.

The receivers filed an appeal subsequent to this decision, and on July 13, 1935, the Circuit Court of Appeals by a two to one decision reversed the District Court and disallowed the claim. The decision hinged upon its conclusion that the discretionary powers conferred upon the Secretary were unlawfully delegated by Congress. It found no definite standard or criterion which limited the power of the Secretary, and said, in part:

The power to determine what the law shall be, what property shall be affected by taxation or regulation and what standards shall govern the administrative officers in administering acts of Congress, has never been held to be an administrative function.

The power to impose a tax and to determine what property shall bear the tax can only be determined by the legislative department of the government. . . .

No standard or guide is here laid down to determine how the compensating tax shall be fixed or what elements shall be taken into consideration in determining the amount, except that it shall be determined by the amount necessary to prevent . . . disadvantages in competition.

The Court also found that Congress had invaded a field over which it has no control under the Constitution, since the act seeks to regulate and control production within the states, in violation of the powers reserved to the states by the Tenth Amendment. It pointed out that "the power of Congress to regulate interstate commerce does not authorize it to do so by taking products either of agriculture or industry before they enter interstate commerce, or otherwise to control their production mere-

ly because their production may indirectly affect interstate commerce."

Immediately after the adverse decision of the Circuit Court of Appeals at Boston similar decisions were rendered by a number of district courts on cases involving the collection of processing taxes on hogs. These courts had obviously been waiting for a precedent to be set by the Circuit Court in the Hoosac Mills case.¹⁹ Prior to this decision most of the suits to restrain the collection of hog processing taxes had been filed by the smaller packers. After it was rendered many larger packers began filing suits and near the end of July the very largest meat processors had joined the procession.

Whether the processing tax will eventually be declared legal or illegal by the Supreme Court cannot be foretold. The government intends to appeal the decision of the Circuit Court and a final decision by the Supreme Court is likely to be rendered toward the end of 1935. In the meantime, Congress has taken steps to clarify and make more specific the powers of the Secretary in order to remove the objection of most courts that the act unconstitutionally delegates legislative power, and the decision of the Supreme Court will probably be rendered on the basis of these amendments.

Even if the Supreme Court declares the collection of processing taxes to be illegal it will not necessarily mean the abandonment of the adjustment efforts of the AAA. The adjustments could be financed by congressional ap-

¹⁹ On July 27, 1935 the District Court at Memphis, Tenn. dismissed the suit of a Memphis packer to recover about \$7,000 paid in processing taxes, declaring that it felt free to pronounce independent views. The court held that the general welfare clause of the Constitution gave legality to the tax and declared that the taxing power had not been illegally delegated to the Secretary of Agriculture.

propriations, for example.²⁰ There remains, however, the serious question of whether Congress is invading the rights of the states in attempting to regulate the production of agricultural commodities. It is upon this point that the fate of the whole program may rest.

²⁰ See note 2, p. 300.

CHAPTER VIII

THE 1935 CORN-HOG PROGRAM

The 1934 corn-hog reduction contract curtailed production for only one year—December 1, 1933 to November 30, 1934—in contrast to the cotton, wheat, and tobacco contracts, which were effective for more than one year. This was due in major part to the difficulties encountered (because of the large payments for reducing hog production in 1934) in attempting to prepare a budget for a longer program. It was necessary, therefore, for the Agricultural Adjustment Administration to turn its attention early to deciding what program, if any, was to follow that of 1934.

THE DEVELOPMENT OF THE 1935 CORN-HOG PROGRAM

During the winter and spring of 1933-34, while the Corn-Hog Section was occupied with the administration of the 1934 measure, the Program Planning Division had been attempting to develop a plan of production control that would not involve a series of individual commodity contracts and which would do away with the difficulties incident to co-ordinating their provisions. Furthermore, individual commodity programs involved duplication of administrative facilities, especially in the field, and prescribed farming operations of contract signers more rigidly than was felt to be either desirable or necessary. Finally, the members of the Program Planning Division and many others, both within and without the AAA, had felt almost from the first that any more permanent plan involved the direct or indirect control not of corn and hogs alone but of all feed grains

and all livestock. They regarded the provisions in the 1934 corn-hog contract (and in other commodity contracts) restricting feed crop acreages and basic commodity production as rather unsatisfactory expedients. The inclusion of beef cattle, flax, barley, rye, and grain sorghums as basic commodities by an amendment¹ to the Agricultural Adjustment Act approved April 7, 1934 emphasized the need of developing some sort of unified contract and at first glance appeared to facilitate it.

By mid-summer 1934 it became apparent that the Planning Division was having difficulty in making such plans in time to put them into operation in 1935. In mid-July, in a final effort to determine upon a procedure, the problem was placed in the hands of a committee appointed by the Agricultural Adjustment Administrator, the chief of the Corn-Hog Section acting as chairman. Members of the general committee and the several sub-committees were drawn from the Adjustment Administration and the Bureau of Agricultural Economics.

The Sub-Committee on Economic and Financial Analyses developed the outlines of a plan for reducing production of feed grains in 1935 (and thereafter) which it felt would result in an equivalent percentage reduction in hog production, and some reduction in the supply of poultry products and grain-fed cattle, but no material change in the production of dairy products and sheep and lambs. It recommended, however, that the program in 1935 should concern itself with corn production only and that the initiation of the longer time grain program should be postponed until 1936. In the first place, the sub-committee felt that it would be difficult to develop a comprehensive crop control program for

¹ 48 Stat. L. 528 (Jones-Connally Cattle Act, H. R. 7478).

1935 in the limited time available. In the second place, it seemed desirable to permit producers to replenish their reserves of feeds, both hay and grain, which had been greatly depleted by the drought. The corn enterprise, consequently, seemed to be the only one that could be overdone. As for hogs, the problem seemed to be how to get large enough farrowings in 1935, rather than how to reduce them. A supplemental reason for recommending a year's delay in the initiation of general crop control was that the wheat contract had one more year to run.

The corn reduction program (and the feed grain program) could be put in effect only if a legal way of financing them could be devised. The difficulty was that the Agricultural Adjustment Act required that benefit payments be made directly to the producers of any commodity upon the processing of which it was desired to collect processing taxes. Since only a small revenue could be collected from processing taxes on corn (and other feed grains), the remainder had to be obtained by means of a tax on livestock slaughter. The Legal Division of the AAA finally concluded that no litigation-proof method could be devised that would permit the levying of processing taxes on livestock to pay for reductions in acreages of corn and feed grains.² Consequently, even the simple corn acreage reduction program for 1935 had to be discarded in favor of a plan involving "substantial" benefit payments on hogs. Almost immediately thereafter producers strongly indicated that, regardless of its legal necessity, they desired a continuation of direct hog production control and benefit payments.

The Secretary of Agriculture and the administrators

² The minor amendments to the Adjustment Act passed in 1934 contained no provisions that would have obviated this difficulty.

of the AAA had consistently maintained that in initiating and carrying out the mandates of the act they would be guided in large part by the decisions of producers. In order to find out what 1934 corn-hog contract signers desired in the way of a 1935 program, in the light of prospective natural and economic conditions, preliminary plans were laid during August 1934 to hold a corn-hog referendum.³ During the second week in September, members of the Corn-Hog Section met with state and county committeemen, extension directors, specialists, and county agents at Indianapolis, Kansas City, and St. Paul,⁴ for the twofold purpose of outlining the reasons for and scope of the proposed referendum.

At these meetings (and at those later held in local communities immediately preceding the referendum) emphasis was placed upon the effects of the drought and upon the probability that corn production would be unduly large in 1935, particularly in view of the reduction in livestock numbers, if no control were exercised over corn acreage. It was pointed out that in the past both corn acreage and yields had tended to be above normal immediately following unusually dry years. It was explained that the AAA was proposing to pay benefits to hog producers largely in order to collect taxes for paying for corn reduction,⁵ that the 1935 program was ex-

³ The Bankhead Cotton Control Act actually required that a referendum be held to determine whether two-thirds of the producers of cotton desired the provisions of the act to be continued in effect in 1935. Cotton producers voted nearly nine to one in favor of doing so. See H. I. Richards, *Cotton and the AAA*. Tobacco producers in the fall of 1934 voted 37 to one in favor of a continuation of the provisions of the Kerr-Smith Act in 1935. See H. B. Rowe, *Tobacco under the AAA*.

⁴ Also outside the Corn Belt at Atlanta, Salt Lake City, and New York City.

⁵ Until almost the eve of these meetings the AAA had planned to suggest that no control of hog production was necessary in 1935. This had to be abandoned when the Legal Section concluded that it was impossible

pected to be temporary only, and that it was to be followed in 1936 by a simpler control plan usually described as a "one contract per farm" system.

Those in attendance at these meetings almost unanimously voted for a 1935 program essentially similar to that of 1934.⁶ The accompanying tabulation shows the

RECOMMENDATIONS MADE AT CORN BELT MEETINGS FOR PROVISIONS
IN 1935 PLAN

| Provision | Indianapolis Meeting | Kansas City Meeting | St. Paul Meeting |
|--|---------------------------------|---------------------------------|---------------------------------|
| Base..... | 1932-33 average | 1932-33 average* | 1932-33 average* |
| Corn reduction (Percentage of base)..... | 20 | 10-25 | 20-30 |
| Corn payment (In cents per bushel of appraised yield)..... | 35 | 40 | 40 |
| Hog reduction (Percentage of base)..... | 12.5 | 15-20 | 20 |
| Hog payment (In dollars per head of reduction)..... | 12 | 12-15 | 7.50 |
| Restriction of use of contracted acres..... | Forage and soil improving crops | Forage and soil improving crops | Forage and soil improving crops |
| Restriction of feeder pig purchases..... | No recommendation | None among signers | None among signers |

* At Kansas City and St. Paul the program committee recommended, in addition, that local committeemen be given authority to adjust patently inequitable bases of individual producers.

recommendations made at each of the three Corn Belt meetings with respect to the more important provisions of any plan for 1935.

under the act to levy taxes on hog processing without making "substantial" benefit payments on hogs.

⁶ This appeared somewhat surprising in view of the many difficulties encountered while 1934 contracts were being adjusted, and the many complaints of complex administrative procedure. Much of the time during these two-day meetings was, in fact, taken up by a recital, on the part of almost everyone, of his adjustment problems. In view of the recommendations of these meetings, the difficulties must have been more superficial than was generally believed.

The next step was to determine whether or not the rank and file of corn-hog producers supported the position taken by their leaders at these regional meetings. During the last half of September, extension specialists, county agents, and committeemen spent the limited time at their disposal in laying plans for and providing community committeemen with the information to be presented at local referendum meetings. The AAA had requested that these be held during the first two weeks of October.

Voters had two questions to answer: (1) "Do you favor an adjustment program dealing with corn and hogs in 1935?" (2) "Do you favor a 'one contract per farm' adjustment program dealing with grains and livestock to become effective in 1936?" The necessity of getting almost immediately the reaction of producers precluded any elaborate "educational" campaign before the meetings were held. From the point of view of the AAA, this had two unfortunate results. First, only about 35 per cent of the eligible voters⁸ cast ballots on the first ques-

⁷ The AAA originally proposed to ask three questions, two substantially as shown in the text, and the other: "Do you believe that an adjustment program for corn planted in 1935 is sufficient to prevent excess hog production?" This was omitted after the regional meetings indicated that farmers wanted benefit payments on hogs continued and after the Legal Division had decided that hog benefit payments were necessary in order to collect taxes on hogs.

⁸ All contract signers, stock- and grain-share landlords as well as owner operators and tenants, were eligible to vote. But many eligible landlords, particularly multiple owner landlords, failed to exercise their voting privileges. Indeed, because of the haste with which the referendum was conducted, multiple owner landlords never knew whether they might cast one vote for each contract to which they were a party, or one vote in each county in which contract farms were located, or only one in all. The "percentage voting" figure in the text is based on the first of these alternatives. If it was intended to allow only one vote for each contract, then about 46 per cent of the possible total number of votes were cast. No attempt was made to "weight" the vote by corn acreage or hog production.

tion. Second, the inadequate discussion that preceded the voting left many producers with inaccurate or erroneous impressions of the meaning of the second question, which was ambiguous enough to start with. As a result, only 32 per cent of the eligible voters cast ballots on the second issue. Some producers who voted on the first question omitted to do so on the second because they did not understand it.⁹

Almost exactly 70 per cent of those who voted cast affirmative ballots on the first question and almost 53 per cent replied in a similar manner on the second. In many counties non-signers were permitted to vote, whether or not they were so permitted being left in the hands of the county allotment committee. In all, 43,000 non-signers voted, 33 per cent affirmatively on the first question, and 28 per cent on the second.

The AAA was in general mildly disappointed by the large number of non-voters and the large negative vote, particularly with respect to the second question, and mildly surprised by the number of affirmative votes cast by non-signers. Only one state, Kansas,¹⁰ voted against a

⁹ Contrast the procedure in the wheat referendum held May 25, 1935 where, partly as a result of experience gained in the corn-hog referendum, an extensive campaign to get out the vote and present the alternatives was conducted for two months prior to the referendum. The ballots cast by signers represented nearly 68 per cent of the approved wheat contracts. Signers voted eight to one and non-signers nearly three to one in favor of a continuation of the wheat program.

¹⁰ The AAA received more letters attempting to explain (or explain away) the Kansas vote than from all other states put together. It appears to have been due to a combination of factors, including: (1) partisan politics, (2) a generally unfavorable press, (3) the opposition of a number of influential cattle feeders, (4) strict adherence to hog quotas that were apparently somewhat less liberal than in many other states, and (5) perhaps more than anything else the desire on the part of many eastern Kansas farmers to get back into wheat production. The 1934 corn-hog contract prevented them from increasing wheat acreage (except as permitted later by administrative ruling) in the fall of 1934, and they did not want the same restriction in 1935.

1935 program, though in Nebraska it barely carried. Nine states, including four in the Corn Belt, voted negatively with respect to the second question.¹¹

A surprising feature of the vote was the large affirmative majorities rolled up in the minor corn-hog producing states. Apparently the "marginal" corn-hog producing areas, those areas with the least "comparative advantage," lived up to theoretical expectations. Farmers in these regions felt that the benefits of the 1934 corn-hog contracts were quite sufficient to compensate them for reducing their hog enterprise. One important reason was the relation between the corn and hog enterprise and the relative size of corn and hog benefit payments. In minor producing areas many contracts called for a reduction in hog numbers only. At the same time the payments for hog reduction were relatively more attractive than corn reduction payments. Another reason for the affirmative vote in many areas was the "drought insurance" features of the program. Benefit payments constituted the principal source of cash income to many in the dried-out areas.

The relatively large negative vote on the first question was due to the adjustment difficulties (in some counties few if any benefit payment checks had been received at the time the referendum was held); to partisan or farm organization politics; to the opposition of the city press; and to a feeling that no control measures were necessary in 1935 because of the effects of the 1934 drought. An underlying reason was that at the time of the referendum many farmers felt that they were losing more because of the price depressing effect of the processing tax on hogs than they regained from benefit pay-

¹¹ See *Corn-Hog Adjustment* (C-H 113), AAA, pp. 14-15, for a tabulation of the vote by states.

ments. This feeling disappeared in large measure when hog prices advanced greatly early in 1935. It is sometimes contended that the large negative vote expressed the resentment of many farmers, if not a large proportion of them, against government "interference." This seems doubtful. The same kind of "interference" accompanied other commodity programs which farmers supported by margins ranging from 8 to 1 to 37 to 1.

THE 1935 CORN-HOG PROGRAM

Taking the results of the referendum as reasonably conclusive evidence of the wishes of corn-hog producers, at least with respect to 1935, the Corn-Hog Section outlined a tentative plan as quickly as possible. It was immediately presented to a representative group of state and county committeemen, extension specialists, and county agents. This group, from 18 states in all, had been called to Washington to assist in the development of both the program and the administrative procedure. The plan proposed by the Corn-Hog Section was less complex than the group had expected. This took the wind out of the sails of those who had come to Washington prepared to encounter difficulty in convincing the AAA of the need for, and possibility of, simplifying and liberalizing both contract and administrative procedure. Many of the important features of the plan came in for prolonged discussion, but no attempt was made by the AAA to force the group to endorse the suggestions of the Corn-Hog Section. When one or more alternatives were possible, the advantages and disadvantages of each were frankly presented to and discussed with the group.¹²

¹² The part played by producers through this and other groups in developing the 1935 program was more important than the part producers played through the Committee of Twenty-five when developing the 1934 program. It is amusing and yet instructive to note that many of the sug-

Eventually, the proposed plan was adopted without major change.

The plan that finally emerged was similar to that of 1934 in all important respects but one, but differed from it in many minor ways. The one outstanding change was the discontinuance of any attempt to prevent the productive resources released by the reduction in corn and hog production from being used to increase the production of other agricultural products. This meant, first, that the 1935 contract contained no provisions restricting the production of feed crops other than corn,¹³ or basic commodities other than corn and hogs. The removal of these provisions greatly simplified the contract and its administration, particularly with respect to compliance, and permitted farmers to replenish depleted reserves, but it was not altogether satisfactory to other commodity sections. The Wheat Section, for example, felt that it would permit an increase in spring wheat production.

It meant, second, that no restrictions were placed on the use of land retired from corn production. Indeed, even the designation "contracted acres" was dropped. This likewise simplified compliance but greatly complicated the determination of the division of corn rental payments when more than one landlord was involved. This decision was reached only after extended debate both in the Corn-Hog Section and in the "advisory" committee. Those in favor of removing all restrictions pointed out that it would be necessary in any case to make

gestions made by those committeemen most insistent on simplicity would have had just the opposite effect if they had been adopted—a further demonstration of the impossibility of encompassing uniformity, simplicity, and flexibility at one and the same time.

¹³ Corn production on the non-contract farms of contract signers was limited in 1934 except that landlords were not responsible for corn production upon cash rented farms not under contract.

very liberal provisions for the use of the land retired from corn production; that lack of seed would prevent any undue expansion in the plantings of oats, barley, grain sorghums, and other feed crops; that compliance would be simplified; and that opponents of control would be unable to point to the contracted acres as a wasted resource. On the other hand, proponents felt that a definite contracted area had a useful psychological effect on producers—that if contracted acres were to reappear in succeeding years, it would be best to continue them through 1935 even if a wide latitude of uses were temporarily permitted—and, most important of all, that contracted acres provided the simplest and most satisfactory medium for dividing corn rental payments when more than one landlord was involved. Their position was somewhat weakened when AAA officials indicated that specific contracted acres would not be a feature of the proposed “one contract per farm” plan. A number of the members of the Division of Crop and Livestock Estimates who had been in close touch with the 1934 corn-hog program (and other commodity programs) favored retaining contracted acres and even somewhat restricting their use, feeling that otherwise neither corn production nor total crop production might be significantly reduced.¹⁴

¹⁴ The attitude of the division was due to the fact that the obligation of producers tended to be expressed in “gross” acres while compliance was checked on “net” acres. Producers were instructed to deduct roads, turn-rows, and other waste land when reporting their 1932 and 1933 crops acreages, but, since most “check” data included such land, it was in practice difficult to make sure that this was done.

Thus a producer may have had 100 gross but only 92 net acres in corn in 1932 and 1933 in, let us say, four fields of equal size. In 1934 he rented one of them to the Secretary. When these fields were measured in the summer the producer discovered that he had only 69 net acres of corn and only 23 net contracted acres. He was then required to set aside another two contracted acres (fortunately plenty of land was eligible

Perhaps the most important of the other changes was that the 1935 program required only a 10 per cent rather than a 25 per cent reduction in hog production from the 1932-33 average and only a 10 per cent rather than a 20 per cent reduction in corn acreage (though the latter might be reduced as much as 30 per cent at the option of the producer). This change was significant largely in reducing the total amount of benefit payments made to farmers and thereby simplifying the problem of obtaining the necessary revenue. If participation by producers equalled that of 1934, benefit payments on hogs would be reduced 60 per cent. Assuming, as the AAA did, that there would be a 15 per cent reduction in corn acreage on the part of contract signers rather than a reduction as large as the 24 per cent which contract signers made in 1934, rental payments on corn would be reduced nearly 30 per cent. Total benefit payments, therefore, would amount to between 150 and 165 million dollars as compared with the 365 million dollars originally estimated as necessary to pay benefits under the 1934 program and the 312 million dollars actually paid. These payments plus necessary administrative expenses could, it was estimated, be financed out of the revenue

for the purpose in most cases) but it was, of course, too late to increase his corn acreage.

In 1935, having learned the previous year of the discrepancy between gross and net acres, producers would tend more nearly to plant their permitted corn acreage. If there was a difference of 8 per cent between measurements on a net and gross basis and producers contracted to reduce their corn acreage 10 per cent, little real reduction in corn production would be obtained. If producers were required to set aside the requisite number of contracted acres and the use of them was restricted so that there was an increase in the land in hay and pasture, for example, the total production of all feed crops would necessarily be reduced even if corn production were almost as large as before.

Of course, since in many parts of the Corn Belt fields were not measured in 1934, all farmers would not in 1935 be aware of and take advantage of the difference between net and gross acres.

from processing taxes on corn and hogs at the existing rate (\$2.25 a hundredweight on hogs and 5 cents a bushel on corn) collected for the year beginning November 1, 1935.

The hog payment per unit of reduction required was maintained at \$15 a head; the corn payment per bushel of appraised yield¹⁵ was increased from 30 to 35 cents. The rate of corn payment was increased, first, in order to make the 1935 contract more attractive to crop-share landlords and to producers with a large corn and a small hog enterprise. Many individuals (particularly landlords) in these two groups of producers had signed 1934 contracts from "patriotic" rather than financial motives. The rate was increased, second, because corn prices had advanced sharply during the last half of 1934. (The average farm price December 15 was 85 cents a bushel.)

Many members of the group and of the Corn-Hog Section felt that even the increase in corn payment would not make the 1935 contract sufficiently attractive to corn growers. This was an additional reason for permitting free use of what otherwise would have been contracted acres. Corn growers and landlords could contract from 10 to 30 per cent of the corn acreage of the farm to the Secretary and then harvest another crop from it which, if not equal to corn in value, would certainly provide considerable additional revenue.

A further inducement, not specifically a part of the contract, was that contract signers alone would be eligible to participate in any corn loan program that might be available in the fall of 1935. At the time that the 1935 corn-hog program was announced no definite assurance

¹⁵ Since no specific contracted acres were set aside, the yield had to be based on an appraisal of the acreage that had been in corn between 1930 and 1934 inclusive.

could be given that even contract signers would be able to borrow money on the security of stored corn in the fall of 1935, because the government corporation that had in the past made such loans was due to go out of existence on June 16, 1935 unless its life were extended by Congress. This uncertainty existed until February 1935 but many producers were not conscious of it.¹⁶

No radical change was made in the base period used—for most individuals it remained the 1932-33 average. Specific provisions were made, however, to give local allotment committees authority to recommend that individual producers be allowed a larger production of corn or hogs in 1935 than would have been the case if the 1932-33 average had been strictly adhered to. At the discretion of the county allotment committee and upon approval by the Corn-Hog Section, a 1935 corn-hog contract signer was permitted, if he submitted adequate proof that because of unusual circumstances his corn acreage was below normal in 1932 and 1933, to plant 90 per cent of the base established by applying the ratio of corn land to harvested crop acres in the community, as shown by the 1930 census, to the acreage of crop land in his farming unit from which a cultivated crop had been harvested at least once during the period 1930-34 (except that in no case could more than 36 per cent of the harvested crop acreage in a farming unit be planted to corn).¹⁷ No corn rental payments were to be made to producers who took advantage of this ruling. Similarly, allotment committees could recommend that a contract signer be permitted to raise 90 per cent of the number of hogs established by dividing the estimated corn production on the farm by 30 (provided,

¹⁶ See Chap. XI.

¹⁷ Administrative Ruling No. 128 (C-H 107), AAA, p. 113.

however, that such number did not exceed one hog per acre of corn base). No hog benefit payments were to be made to producers who took advantage of this provision.

During the campaign, considerable difference of opinion arose between county committeemen and the Corn-Hog Section over the application of these provisions. This was particularly true in Iowa, where there were about 8,000 "permitted production" requests. Committeemen felt that the Section was arbitrarily turning down some applicants and at the same time granting others—by a mechanical application of the "formula"—permission to raise more corn or hogs than had been asked for. Committeemen felt further that this granting of all the production permissible under the formula was the main reason for turning down some of the requests. This, however, does not seem to have been the case. The Corn-Hog Section paid no attention to the total production granted on the applications it accepted, but in order to accommodate many of the requests originally turned down, the list of "unusual circumstances" constituting bases for requesting permitted production was considerably expanded.¹⁸ In this matter, as well as in others, committeemen rather generally felt that they did not have the degree of authority they were entitled to and which they claimed had been promised them.

The retention of the 1932-33 base meant that a majority of the 1935 contracts would be simply "continuations" of those of 1934. For the remainder, new corn or

¹⁸ Some members of the Corn-Hog Section vigorously defended the mechanical application of the formula on the grounds that: (1) producers granted requests would not increase production simply because they had obtained more than they had asked for; and (2) the alternative—to leave in the hands of local allotment committees the power to say how many hogs or how much corn a producer could raise as well as which producers would be granted these privileges—would cause much more trouble than the mechanical application of a formula.

hog bases would have to be established and a detailed procedure for doing so was set up. As in the previous year, this task was again left largely to the Division of Crop and Livestock Estimates. The problem of establishing equitable 1932-33 bases for these new applicants was, in some respects, more difficult in 1935 than in 1934. The procedure used was fundamentally the same as in the previous year but was improved by important refinements based on experience. A detailed procedure (including a set of half a dozen forms) was, for example, developed to analyze the evidence submitted to substantiate the new applicants' hog production claims. Local allotment committees were inclined to grumble about the involved nature of this procedure without realizing that it was largely a systematization of what they had had to do the previous year. There were, however, a few deficiencies in the forms which caused some irritation, largely because of the unavoidable delay involved in calling them to the attention of the Corn-Hog Section and getting authority to revise them.

As a result of experience during 1934, the whole 1935 campaign was carefully planned before even the first stages were initiated. The duties and responsibilities of the Washington office, the 1934 and 1935 state boards of review, and the 1934 and 1935 production control associations were outlined in minute detail; the preparation and wording of the numerous corn-hog forms were carefully worked out; and the whole procedure was graphically portrayed on a "flow chart."¹⁹ A first glance at this chart no doubt caused almost everyone for whose use it was intended, from community committeemen upward, to throw up his hands in despair. But for those with the patience and mental agility to study it through,

¹⁹ *Flow Chart for AAA 1935 Corn-Hog Program* (C-H 105), AAA.

the flow chart gave a comprehensive picture of the entire series of operations. In practice the charted procedure was not always strictly adhered to, but the early conduct of the 1935 campaign was much more systematic than that of 1934.

The new program was announced on November 15, 1934.²⁰ Six regional meetings were held December 17-21, 1934 to explain the 1935 corn-hog forms and procedures. These meetings were primarily for the purpose of instructing those who would later be in charge of the state programs—state committeemen, extension directors, and district supervisors. Immediately after January 1, 1935 the campaign got under way with a series of “educational” meetings. The emphasis on this phase varied considerably from state to state. In spite of the fact that many felt that the “educational” phase had not been sufficiently emphasized in 1934, no great amount of time or energy was devoted to it. The material presented was simple. It pointed out that, without a control program, prospects were that corn production in 1935 would increase and corn prices would consequently be low in the fall of 1935; that hog production would then be overdone and get “out of relation to demand”; and that hog prices would decline “unduly” in 1936 and 1937.²¹

²⁰ AAA Press Release No. 1003-35.

²¹ The justification of the 1935 program was thus held to be not the *existence* of an emergency with respect to corn and hogs but the *prospect* of one. While the language of the Agricultural Adjustment Act is by no means consistent, the general belief was that the act was an emergency measure designed to relieve the acute existing disparity between agricultural and non-agricultural prices. The provision that the processing tax to finance production reduction was to be equal to the difference between the current average farm price for the commodity and its fair exchange value lent color to this belief. But in the fall of 1934 corn prices were for a time equal to or above their fair exchange value and hog prices had every prospect of being so before the end of 1935. Under these cir-

New corn-hog control associations were organized to handle the major part of the 1935 program. In some cases the directors of these new associations were elected at the educational meetings. These elections were not supposed to have been held until 1935 contract applications had been signed. This was the first of a number of minor departures from the procedure outlined by the AAA. The proportion of 1934 directors re-elected in 1935 varied considerably from county to county, but for the United States as a whole the average was probably more than 80 per cent.

Contract application meetings began about the middle of January 1935. By April 1, when the contract application sign-up closed, it was estimated that 1 million farmers had applied for 1935 contracts. For 70 to 90 per cent of the applications, the corn and hog bases were the same as those for 1934. This group of applications was the first to be handled by allotment committees and state boards of review. When the contracts of this group had been cleared, attention was turned to applications for which corn and hog bases had to be established. Such bases had to be set up not only for new signers but also for 1934 signers whose farming unit was changed, who had acquired a new stock-share landlord with an undetermined hog base, and so on. Much of the checking work done by the Rental and Benefit Audit Section in 1934 was transferred to the field in 1935 and done in the states by clerks operating under the supervision of the

cumstances, how could further control be justified and how could taxes be collected to finance it? The reply of the AAA was that the Agricultural Adjustment Act (1) required that the prices of farm products be not only increased but maintained and (2) required that the existing processing tax rate be continued unchanged unless an adjustment was necessary in order to effectuate the declared policy of the act. *AAA Press Release No. 234-35, July 31, 1934.*

state board of review. It was hoped that this would speed up payment on the 1935 contracts. It did, at least, greatly reduce suspensions of 1935 corn-hog contracts in Washington. Auditing of these contracts in Washington began about the middle of June. Of the first 4,000 audited, not a single one was suspended. In some states, however, from 10 to 20 per cent of the contracts had to be returned to the counties for correction, and a similar number contained errors which could be corrected in the state offices.

During the discussions that preceded the final determination of the 1935 program, considerable thought was given to methods of adjusting the base period production of producers whose claims had been arbitrarily or unfairly cut in 1934. At the time it was proposed that individual producers be permitted to submit additional supporting evidence to county allotment committees and that the latter should recommend adjustments on these contracts to the AAA. Actually, most producers who wanted such adjustments filed appeals with the AAA, which, however, based its decisions in part upon the recommendations of the county allotment committees.²² In a few counties, allotment committees did adjust upward several dozen contracts, but their opportunity to make upward adjustment was limited by the fact that a corresponding amount of downward adjustments had to be made in other contracts. Nor did the Corn-Hog Section encourage these changes. It felt that less difficulty would be encountered in maintaining established bases than in attempting to make adjustments.

²² The unit that handled these appeals was transferred from the Comptroller's Office to the Corn-Hog Section in April 1935. If the producer also requested a readjustment in his 1934 payments, the "appeal" became a "claim."

PARTICIPATION BY PRODUCERS

On the basis of preliminary estimates of producer participation in the 1935 corn-hog program, there was an 11 per cent decline from the previous year in the number of contracts; a 3 per cent decline in the base corn acreage under contract; an 8 per cent decline in acreage retired from corn production; and nearly a 12 per cent decline in the base hog production under contract.²³

If these estimates of participation in 1935 prove to be approximately correct, contract signers will control less than one-half the corn acreage and less than two-thirds of the hog production of the United States.²⁴ Actual participation will, indeed, be slightly less than that indicated by this preliminary report because some contract applications will not be completed.²⁵ Participation increased in the deep South, and in Nebraska, South Dakota, Colorado, and Oklahoma. The largest absolute decreases occurred in the eastern Corn Belt and in Kansas.

The increase in the size of the corn payment and the decrease in the size of the hog payment are reflected in the relative decline in the base corn acreage and the base hog production under contract. For the United States as a whole the decline in the latter was nearly four times as large as in the former. The same change tended to be characteristic of individual states, though there were some exceptions.

The average base corn acreage of applicants in 1935

²³ See Appendix D, pp. 372-75.

²⁴ Except that some control is exercised over the share-rented non-contract farms of contract signers.

²⁵ The decline from preliminary indications will be largest in the northern part of the Winter Wheat Belt, Kansas, Missouri, and Nebraska, where the wheat acreage was reduced by winter killing, by the drought in the early spring, and by flood in the late spring. Some applicants in this territory wanted to increase corn acreage more than they would have been permitted to under the terms of the 1935 contract.

was four acres, or 8 per cent larger than the base corn acreage of 1934 contract applicants.²⁶ Evidently the decline in contracts in 1935 represents the dropping out of the smaller producers. This tendency was, indeed, even greater than a comparison of the average corn acreage bases for the two years indicates, because of the shift in the geographical location of participants. The number of applicants increased, for example, in the South Central states. The average size of the corn base in this area also increased; but the corn acreage per farm is lower in this area than in the Corn Belt, and the increase in the number of contracts in this area tended to lower the average corn acreage base of all 1935 contract applicants.

This tendency was still more noticeable with respect to hogs. In almost all states the relatively small hog producers who had signed 1934 contracts were the ones who tended to drop out in 1935. But the large hog producers in the South and in other areas where the number of applicants either increased or declined only a small amount, and who for the most part were the ones who signed up in 1935, actually raised about the same number of hogs for market as the small Corn Belt producers who dropped out. Moreover, in the East Central states the average number of hogs raised by the 1935 applicants was smaller than the number raised by 1934 contract signers—indicating an increase in the number of small producers participating in 1935.

The fact that the "hog base went with the farmer" also tended to reduce the average size of the contract signer's hog base in 1935. When a 1934 contract signer

²⁶ The average corn acreage base on completed 1935 contracts will be slightly lower than the 52 acres shown on applications, due to the removal of the overstatement in the claims of applicants on farming units for which a base was not established in 1934.

died, his base went out of existence unless it was transferred to a near relative. Old, long-established producers would tend to have the larger hog bases.

Most small producers who dropped out in 1935 did so because the reduced size of the payments did not make it seem worth while to bother with a 1935 contract. But this was not the sole reason for the decline in the number of applicants. Other producers both large and small were dissatisfied with their bases, objected to the "red tape" involved,²⁷ could not qualify under the more rigid definition of a bona fide producer, or objected in "principle" or for farm management reasons to having their farming operations limited by a government contract. On the other hand, the requests for applications by a few producers were turned down by county allotment committees because the producers had violated the terms of their 1934 contracts.

On the basis of contract applications, total gross benefit payments will amount to about 186 million dollars—about 26 million more than the maximum estimate when the program was being formulated. The discrepancy is due in major part to the fact that producers retired over 22 per cent of their corn acreage rather than the 15 per cent originally estimated. Since hog marketings in the 1935-36 marketing year promise to be somewhat less than originally anticipated, the accumulated deficit may amount to 50 million dollars by November 1, 1936 unless the processing tax rate on corn is increased.

²⁷ It is reliably reported that in one community 50 contracts were lost because producers thought the government was trying to "defraud" a "widow-woman" of an \$8.00 payment due under a contract signed by her husband before his decease. Actually, the delay arose because of improper handling of the necessary legal papers.

CHAPTER IX

BEEF CATTLE—PROBLEMS AND PROPOSALS

In sharp contrast to the numerous and extensive measures undertaken by the Agricultural Adjustment Administration from 1933 to 1935 to increase hog prices and hog producers' incomes was the one significant measure initiated with respect to beef cattle. Even this measure was undertaken primarily to relieve drought sufferers and not as a first step in the inauguration of a production control program for cattle. The AAA played an important though by no means an indispensable or unique part in the actual carrying out of this and other drought relief measures simply because it was the government department which was best equipped for the job.

The Agricultural Adjustment Act as approved May 12, 1933 did not include cattle in the list of "basic" agricultural commodities. This agricultural commodity had been removed from the list upon the request of spokesmen for cattle producers.¹ Range cattlemen, at least, felt that the "domestic allotment" plan as embodied in the act was "economically unsound."² Osten-

¹ See 73 Cong. 1 sess., *Agricultural Emergency Act to Increase Farm Purchasing Power*, Hearings on H.R. 3835 before Senate Committee on Agriculture and Forestry, pp. 259-69, 332-33 (1933). These spokesmen represented primarily range cattle raisers and big cattle feeders though other cattle producers in the Corn Belt, the South, and East seem to have taken much the same attitude at the time. Cattle and sheep were both included in the list of basic agricultural commodities in the bill passed by the House. They were removed by the Senate and the amendment concurred in by the House. For reasons somewhat similar to those advanced by cattlemen, sheepmen were opposed to having sheep named a basic commodity and their wishes were deferred to.

² At the annual convention of the American National Livestock Asso-

sibly their attitude was based upon the belief that a reduction program with the concomitant processing tax would decrease consumption and drive consumers to competing commodities such as poultry, eggs, and fish; that no system of compensatory taxes would prevent this; and that beef consumption in the United States should be increased and not decreased in order to regain its "proper place in the dietary of most of our people." Actually, two other factors had an important bearing on the stand taken by cattlemen. The first of these was their preoccupation with a program for increasing returns to the cattle industry which they had long advocated. This program included the virtual exclusion, by tariff or prohibition, of imports of beef (particularly canned beef) and "competing fats and oils" (particularly cocoanut oil); an increase in the tariff on hides; a reduction in the freight rates and other marketing charges; lower interest rates; "orderly marketing";³ and advertising to increase consumption. The second factor was that, at the time the bill was being debated, the full effect of the increased supply of cattle had not made itself apparent in the cattle market. Between January 1, 1928 and January 1, 1933 the number of cattle on farms had increased by 8 million head or 15 per cent, but

ciation held at Ogden, Utah, January 12 to 14, 1933, the following resolution was adopted:

"Whereas Congress is attempting to legislate for agricultural relief. . . . Whereas we believe the so-called domestic allotment plan is economically unsound: therefore be it resolved, that we are unalterably opposed to this plan as a medium of relief."

³" . . . if we had what has been termed 'an orderly marketing', we would have more control over the movement of supplies and also the movement, probably, of the finished product; we could have the prices of the raw material gradually increased, and the consuming public would absorb it without any particular notice in any way; . . . if something of this kind could be inaugurated, the prices of livestock . . . could be increased very nearly 100 per cent. . . ." 73 Cong. 1 sess., Hearings on H. R. 3835, p. 332.

cattle marketings had declined steadily for six years and in 1932 federally inspected cattle slaughter was 15 per cent less than in 1926, the post-war peak. (See the chart on page 8.)* During 1932 the average farm price of cattle was nearly three-fourths of "parity" as compared with hog prices less than one-half of parity.

Within a few months after the passage of the act the attitude of the cattlemen began to change. During 1933 cattle slaughter increased sharply—it was 13 per cent greater than in 1932—and cattle prices declined until by December they were barely 50 per cent of their "fair exchange value." By the summer of 1933, cattlemen were demanding that something be done by the government to aid the industry. Representatives of the AAA met with representative cattle producers in Denver on August 12, 1933 and explained that, inasmuch as cattle was not a basic commodity, action was necessarily limited to what could be accomplished under the marketing agreement sections of the act. "After an all-day session a resolution was unanimously adopted to the effect that livestock producers should enter into a marketing agreement with the packers,"⁵ and a committee of five was appointed by the American National Livestock Association to work with the Secretary of Agriculture and the packers in formulating such an agreement.

The processors had for some time been working on a marketing agreement for the meat-packing industry,⁶

* Total slaughter of cattle and calves (including estimated farm and local slaughter) appears to have reached its low in 1929. Farm and local slaughter estimates, however, probably contain margins of error sufficient to make of doubtful significance the small year to year variations in total slaughter between 1928 and 1932.

⁵ *American Cattle Producer* (formerly the *Producer*), July 1934, Vol. XVI, No. 2, p. 17. The law of course provided that the Secretary of Agriculture, not producers, might enter into a marketing agreement with the packers.

⁶ See D. A. FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 95-100.

an amended draft of which was made public at a hearing held in Washington on September 8, 1933. Both the cattlemen's committee and a sub-committee of the National Corn-Hog Committee of Twenty-five suggested a number of amendments to the agreement as submitted. Discussion of these proposed changes continued for some time in Washington and Chicago, until all but two major points of disagreement had been ironed out. These had to do with (1) the power of the Secretary of Agriculture to initiate "programs, plans, and policies," and (2) the extent to which the Secretary should have access to the books and records of the packing industry. The Administrator of the AAA, who had attended the conferences, finally suggested that a solution to these difficulties could be found and that the AAA should rewrite the agreement in line with the changes acceptable to all the conferees.

For the next four months practically no progress was made toward this end. The AAA and the packers remained deadlocked because of the insistence on the part of the AAA that the agreement be a "reform" measure and the insistence on the part of the packers that they would give no access to books and records if the agreement were of this character—or indeed under any circumstances.⁷ The issue was further confused because the officials of the AAA were by no means in agreement among themselves on the matter. One group felt that it should be a strong "reform" measure, another that it should be a strongly protective measure of the NRA type as was the original draft submitted by the packers, and still a third was doubtful whether any agreement

⁷ The packing industry still retained a vivid recollection of the biased investigation made by the Federal Trade Commission, out of which grew the packers' "consent" decree of 1920. See also E. G. Nourse, *Marketing Agreements under the AAA*.

would contribute much to accomplishing the objective of the Adjustment Act—namely, to raise farm income.

Early in February 1934, in an effort to get action, the cattlemen got the packers to agree tentatively to the numerous requirements of the AAA with respect to access to books and records. During the course of the year, too, the protective features desired by the industry were considerably modified. Both these changes lessened its appeal to the industry. In this form, moreover, the AAA regarded the marketing agreement as so innocuous, either from the standpoint of "reform" or of increasing livestock prices, as to be hardly worth putting into effect. Consequently, the entire matter was allowed to drop.

Just what cattlemen expected to accomplish by means of the marketing agreement is not at all clear. Frequent references were made to the elimination of all "unnecessary, unfair, and inequitable charges, unfair competition, and dumping of surplus commodities." It seems certain, moreover, that spokesmen for the range cattle industry expected to be able to "control and stabilize" the price of livestock and livestock products. This is in essence the "orderly marketing" theory of price control, to which reference has already been made. Cattlemen, further, felt that the marketing agreement offered them an unexcelled opportunity to reduce what they had long considered excessive costs of distribution. Just how this was to be accomplished was never even roughly outlined but it was stated that "producers had everything to gain and nothing to lose" by experimenting with a packers' marketing agreement as a means of accomplishing this most desired objective.

During the fall and winter of 1933-34, with prospects poor for early ratification of the packers' market-

ing agreement, cattlemen made strenuous efforts to get the government to embark upon an extensive program of beef purchasing for relief needs. In order to help finance these purchases, spokesmen for the cattle industry expressed a willingness to approve the levying of a small compensating tax on cattle. This procedure was advocated because a compensatory tax on beef cattle with the proceeds being used to help finance the corn-hog program seemed to be in immediate prospect.⁸ As it turned out, no compensating tax on cattle was levied. Though cattlemen admitted that beef was competitive with pork and that a processing tax on the latter might cause a "shift in consumption" to the former, there seemed little or no evidence to indicate that such shifts would result in disadvantages in competition to processors; and in order to levy a compensatory tax it was necessary to show that such disadvantages to processors (not to producers) existed.

Some relief purchases of beef were made, however. On November 10, 1933 the Federal Surplus Relief Corporation purchased 400,000 pounds of canned beef. In an effort to accomplish the second of its dual objectives, namely to reduce agricultural surpluses,⁹ the FSRC stipulated that the beef must be from cows between the ages of two and five years. These and other rigid requirements resulted in packers' bidding on only one-third of the amount upon which bids were requested, and their bid prices were so high that all bids but one for 400,000 pounds were rejected. New bids were requested two

⁸ Cattlemen apparently felt that though "the immediate effort to keep cattle out of the [Adjustment Act] was successful, the inclusion of hogs as a basic commodity, and the power given the Secretary of Agriculture to levy a compensating tax on any commodity competitive with hogs, in large measure prevented it from becoming a clean-cut victory." *American Cattle Producer*, July 1934, Vol. XVI, No. 2, p. 13.

⁹ See Chap. IV.

weeks later with no age-limit requirement, and other specifications were also liberalized; but this time all bids were rejected because prices were deemed too high.

Between January 5 and March 6, 1934 the FSRC purchased 114,260 head of cattle, mostly "canners," having a total live weight of 106 million pounds.¹⁰ As with the purchases of live hogs, contracts were let to packers for processing these cattle. Almost exactly 2.5 million dollars was paid for them, or \$2.36 per hundredweight. These purchases represented less than 5 per cent of all the cattle and calves slaughtered under federal inspection during January and February 1934, though they constituted a larger proportion of all the low-grade cattle marketed during the period.

During the last quarter of 1933, cattlemen had become concerned over the record supply of breeding stock that was accumulating on farms, largely because market prices were so low that it did not pay to dispose of it. The industry therefore proposed that steps be taken to reduce the numbers of breeding stock, either by spaying heifers or by disposing of "surplus" she-stock in non-commercial channels. Cattlemen maintained that this would immediately alleviate the situation and that, since "beef cattle are not in serious over-production the 'brain trust' to the contrary notwithstanding,"¹¹ general economic recovery (and the enactment of legislation to protect the cattle producer from imports of canned beef and vegetable oils) would make unsound "experiments" in production control unnecessary. The industry felt that these temporary remedial measures could be more easily accomplished if (1) cattle were made a basic commodity,

¹⁰ These purchases should not be confused with the "drought cattle purchases" initiated in June 1934. See Chap. X.

¹¹ *The Producer*, February 1934, Vol. XV, No. 9, p. 37.

and (2) a large appropriation for these and other purposes obtained from Congress.

The cattle industry thus reversed its original stand and gave its qualified support to an amendment to the Agricultural Adjustment Act introduced in February 1934 designed to make cattle a basic commodity. The lukewarm support accorded the amendment by many cattlemen was, however, due almost entirely to the fact that there was a large accompanying appropriation, and to the belief that since they had been assured that no program would be initiated that was not acceptable to the industry, a production control program could be headed off. These cattlemen remained "unalterably opposed" to a processing tax. To them the corn-hog program was a dismal failure because they were convinced that hog prices had been reduced by at least the amount of the tax. Both by direct statement and by implication cattlemen indicated their belief that "relief" for the cattle industry should be financed by direct appropriation.¹² Only the occasional cattle producer was willing to admit that it was "rather inconsistent to want to go into the [act as a basic commodity] and still not have a processing tax."¹³

An appropriation for the relief of the cattle industry was not a part of the earlier House bills to make cattle a basic commodity (for example H.R. 6133). It was added by those responsible for introducing the legisla-

¹² "It is no secret that the processing tax is unpopular in the Hog Belt and that, if the government had to do the job over, there would never be a \$2.25 tax levied. We are profiting today by the costly experience in hogs. There have been large direct appropriations made for the cattle industry. . . ." *American Cattle Producer*, July 1934, Vol. XVI, No. 2, p. 13.

¹³ *Include Cattle as a Basic Agricultural Commodity*, 73 Cong. 2 sess., Hearings before House Committee on Agriculture on H. R. 6133, H. R. 7153, and H. R. 7478, p. 144 (1934).

tion in Congress upon representations of the cattlemen's "lobby." Great confusion existed as to whether this was to be an outright gift to the industry or to be later repaid by processing taxes. The Secretary of Agriculture in endorsing the proposed bill made it clear that, though the appropriation was necessary "because the production cycle in the cattle industry is much longer than it is for instance, in the hog industry, and control operations would therefore take even longer to become effective," he expected "at least 150 million dollars of this amount would be returned to the Treasury out of future processing taxes."¹⁴ Cattlemen and their representatives in Congress wanted an outright appropriation but hesitated to say so for fear that too many objections would be raised. Consequently, the matter was never clearly settled.¹⁵

Cattlemen claimed, without a great deal of justification, that they were entitled to a large outright appropriation for five reasons. (1) Producers of other agricultural commodities had benefited from similar appropriations in the Agricultural Adjustment Act and the National Industrial Recovery Act (the Bankhead amendment). (2) They had been financially injured by other phases of the recovery program: the cotton program had tripled the cost of cottonseed cake; the corn loans had doubled the cost of corn and reduced the demand for feeder cattle; the NRA had raised production costs; the FERA and PWA had doubled the wage bill; the corn-hog and corn loan programs had temporarily increased pork supplies and reduced the demand for beef. (3) The cattle "surplus" was largely due to government activities: government loans on cattle initiated

¹⁴ 73 Cong. 2 sess., S. rep. 403, p. 1 (1934).

¹⁵ The bill barely passed in the Senate (39 to 37), perhaps in part because of this ambiguity.

in 1929 had resulted in the holding back of herds that would otherwise have been liquidated so that "those qualified to carry on successfully in the industry must face two handicaps. First they must meet this subsidized competition. Second they must contribute to the funds to subsidize the misfit competitor."¹⁶ (4) The Administration had failed to take steps to reduce competitive imports. (5) The Adjustment Administration had penalized the industry by failing to approve the marketing agreement for the meat-packing industry.

The proposed amendment became law on April 7, 1934. This Jones-Connally Act (1) made cattle a basic commodity; (2) authorized the appropriation of 200 million dollars (a) to finance surplus reductions and production adjustments and (b) to support and balance¹⁷ cattle markets; and (3) authorized the appropriation of 50 million dollars to enable the Secretary of Agriculture (a) to make advances to the FSRC for the purchase of dairy and beef products for distribution for relief purposes and (b) to eliminate diseased dairy and beef cattle, including cattle suffering from tuberculosis or from Bang's disease, and to make payments to owners with respect thereto.¹⁸

Following its usual procedure, the AAA held a preliminary conference with cattle producers as the first step in the development of a commodity program. At this meeting, held at Chicago April 26, 1934, the Adjustment Administration discussed the cattle situation and suggested that a representative group of cattle pro-

¹⁶ J. Evetts Haley, "Cow Business and Monkey Business," *Saturday Evening Post*, Dec. 8, 1934, p. 28.

¹⁷ The word "stabilize" being currently in ill repute because of the stabilization activities of the Federal Farm Board under the previous Administration, the phrase "support and balance" was coined to replace it.

¹⁸ The act also designated peanuts, rye, flax, barley, and grain sorghums as basic commodities.

ducers be appointed to work with the AAA in the development of a cattle program. The processing tax was as usual the subject of spirited discussion, but "despite attempts made by others than real cattlemen to pack the meeting . . . with men unfriendly to even exploring the possibilities . . ., producers and feeders finally asserted their rights and . . . voted by a substantial majority to appoint a committee of 25 cattle breeders and feeders to be charged with the responsibility" of co-operating with the AAA in the determination of a program.¹⁹

The Cattle Committee of Twenty-five appointed by the AAA represented dairy interests as well as cattle breeders and feeders.²⁰ The inclusion of representatives of the dairy industry was a belated recognition by both cattlemen and dairymen of their mutual interests. During the preceding year beef cattle producers had vigorously opposed attempts made by the dairy interests to curtail production of oleomargarine. Each group was inclined to blame the other for the "surplus" of beef and dairy products, cattlemen claiming that the big increase in cow numbers was due to the dairy industry, and dairymen claiming that beef cattlemen were flooding the market with dairy products.²¹ During January 1934,

¹⁹ The *Producer*, May 1934, Vol. XV, No. 12, pp. 6-7. The "unfriendly" men above referred to were livestock exchange and commission men.

²⁰ The entire personnel of the cattle breeders' committee of five appointed by range cattlemen in August 1933 was appointed to the Committee of Twenty-five. This committee of five had conducted the fight for the packers' marketing agreement, relief beef purchases, etc.

²¹ The Jan. 1, 1934 estimates of the U. S. Department of Agriculture of the number of milk cattle and "other cattle" on farms apparently supported the contention of the beef cattle men. According to these estimates, milk-cow numbers had increased almost steadily since 1921 and were 20 per cent larger on Jan. 1, 1934 than 13 years earlier, while the number of "other cattle" on farms was 20 per cent smaller on Jan. 1, 1934 than on Jan. 1, 1921, though they had increased since Jan. 1, 1928. No doubt dairy cattle numbers had increased appreciably

dairy and beef cattle interests had met for the purpose of jointly considering the proposed Jones-Connally amendment and other problems of mutual interest. After a series of conferences a program was outlined which involved (1) endorsement of the proposed amendment; (2) use of part of the 200 million dollar appropriation to eliminate diseased dairy and beef cattle; (3) purchase of beef and dairy products for relief needs; (4) development of a marketing agreement with packers; (5) "elimination from production of a sufficient number of beef and dairy cows to give present relief"; (6) a processing tax so graduated that its "full burden may be delayed until consumer purchasing power is on the up-grade and returns to producers have reached parity."²² This program contained no plan for "production control" of cattle numbers and relied heavily on the proposed appropriation for funds. Whether the conferees realized it or not, the last of their recommendations would, if put into effect, have made impossible not only the collection of a supplemental fund of any appreciable size but also the repayment of the original appropriation. Processing taxes on cattle certainly could not be increased after cattle prices reached parity, and it is a debatable question as to just how long the existing rate could be maintained after that point had been reached.

since 1921, reflecting the 'long-time' trend in dairy production, but the relative changes in cattle numbers suggested by these January 1 estimates probably exaggerated the situation. Many so-called "dual-purpose" cattle shift from one classification to the other, depending upon whether their owners happen to be milking them or letting the calves milk them. With the dairy enterprise showing relatively larger returns than beef during much of the decade, many cattle first reported as "beef" were later reported as dairy. See also J. D. Black, *The Dairy Industry and the AAA*, Chap. XIII.

²² The *Producer*, February 1934, Vol. XV, No. 9, pp. 38-39. No processing tax was to be applied until ample protection was provided against imports.

This jointly recommended program had been reported as endorsed not only by representatives of the dairy interests and range cattlemen but also by cattle producers in the East and South and cattle feeders in the Corn Belt. Eastern and Southern cattle raisers, however, seem to have been rather generally in favor of a production control program as well. Corn Belt cattle feeders, at the time, took no unanimous or decided stand. Early in March 1934 an apparently representative group of Iowa cattle feeders and raisers had voted (though not unanimously) for a production control program at a meeting sponsored by Iowa beef producers.²³ No doubt much of the support given the proposal for production control was due to suggestions that cattle feeders be reimbursed for losses incurred by reason of the corn loan program; that benefit payments be made to feeders for reducing feeding operations; and that the levying of a processing tax be delayed until such time as it would not be burdensome on the cattle market.²⁴ A state cattle committee had also been elected, two members of which were appointed by the AAA to the Cattle Committee of Twenty-five when it was set up.

About the middle of May 1934 the Committee of Twenty-five submitted the outlines of a proposed program to the AAA. This plan called for (1) a reduction by January 1, 1937 of 20 per cent in breeding females; (2) benefit payments of \$4.00 a head on the number of breeding females in the herd during the base period; (3) a 5 per cent reduction in feeding operations for the year ending June 30, 1935, and a 15 per cent reduction

²³ The delegates had been elected at local meetings called under the direction of the county corn-hog control associations. Ninety-five counties out of a total of 99 were represented.

²⁴ As usual, a request for increased duties on competing meats, hides, and oils was unanimously adopted.

for the year ending June 30, 1936; (4) benefit payments of 1.5 cents per pound on the base period feeding operations; and (5) a graduated processing tax increasing to a maximum of 50 cents per hundredweight by October 1, 1934. Beef cattle producers and dairy cattle producers were to be equally eligible. A sub-committee of five was selected to remain in Washington to co-operate with the AAA in working out the details.

There were at least three difficulties connected with this tentative proposal. The first was financial. Though the total amount of the benefit payments would depend upon the extent of producer participation, it appeared possible that payments would be larger than tax collections to the end of 1937. Tax collections and benefit payments did not have to balance, of course, because the deficit could be met by drawing on the 200 million dollar appropriation authorized by the Jones-Connally Act.

The second difficulty was administrative. The proposal to make benefit payments to cattle feeders would necessitate the determination of the base period purchases of feeder cattle and sales of fat cattle in hundredweights and require a compliance check on the same basis. These difficulties were almost insurmountable.

The third difficulty was economic. The proposed plan would not result in any increase in cattle prices for two or three years, and during the first year liquidation of 20 per cent of the breeding females would have a depressing effect on the market.²⁵ Such a delayed response of livestock prices to a reduction in breeding stock on farms is unavoidable with any variant of the "standard" production control plan, and its immediate depressing influence can only be avoided if the liquidated breeding

²⁵ Whether market prices would be lower during this time with a program than without one would depend, in part, upon the liquidation that would take place in the absence of the program.

stock is removed from regular commercial channels. Both the immediate depressing effect and the delayed response are extremely important in the case of cattle; they are much less important in the case of hogs and practically negligible in the case of annual crops such as wheat. Assuming, for purposes of illustration, that the only factor affecting marketings was a control program involving a 20 per cent reduction in supply, marketings of these three agricultural commodities for the year in which the reduction took place and succeeding years would be as follows (expressed as percentages of the pre-program level):

| Commodity | Year of Reduc- tion | First Year Follow- ing | Second Year Follow- ing | Third Year Follow- ing |
|---|---------------------------|---------------------------------|----------------------------------|---------------------------------|
| Wheat (average yields assumed) | 81 | 80 | 80 | 80 |
| Hogs (sows sold prior to farrowing) | 104 | 80 | 80 | 80 |
| Hogs (sows sold after farrowing) | 104 | 100 | 80 | 80 |
| Cattle (cows sold prior to calving) ²⁶ | 125 | 100 | 80 | 80 |
| Cattle (cows sold after calving) ²⁶ | 125 | 100 | 100 | 80 |

A cattle plan calling for a reduction in feeding operations during the initial year would cause some further increase in marketings for slaughter during that year but cause some reduction in marketings in succeeding years. The cattle plan proposed by the committee would, other things being equal, have spread the depressing effect of the liquidation over three years, but by doing so would

²⁶ Assuming an 80 per cent calf crop and that the average beef steer (or heifer) is marketed either "grass-fat" or "corn-fed" at two years of age.

have delayed for five or six years the full effect of the reduction in production.

No steps were taken by either the AAA or the cattle producers' committee to revise the proposal in order to overcome these objections. Instead, the efforts of the Adjustment Administration were almost immediately concentrated on the emergency measures undertaken to mitigate the effects of the most disastrous drought in the history of the country. One of these measures was the purchase by the government of over 8 million cattle.²⁷ These purchases, together with exceptionally large commercial marketings of cattle, completely reversed the cattle situation. Between January 1, 1934 and January 1, 1935 the number of cattle on farms declined by 6.6 million head or 11 per cent. Between December 15, 1934 and April 15, 1935 the farm price of cattle increased 75 per cent, and on the latter date was practically equal to its "fair exchange value."

As a result, one group in the cattle industry felt that nothing more need be done. As early as July 1934 the *American Cattle Producer* commented editorially:

It appears entirely possible that the drought purchasing program is indeed the cattle program, and that we shall never have to accept a processing tax with its cumbersome accompaniment of contracts to be signed, reductions to be enforced. . . .²⁸

At the January 1935 meeting of the American National Livestock Association the AAA pointed out that there was "real danger of production eventually expanding to the point where returns to producers will be unfavorable and a period of liquidation will be necessary." It also pointed out that there were several possible lines of ac-

²⁷ The 1934 drought and the cattle purchase program are considered in Chap. X.

²⁸ July 1934, Vol. XVI, No. 2, pp. 13-14.

tion: (1) inauguration of a production control program within the next year or so; (2) doing nothing to restrict production, at least for a year or two until the most desirable level of production became more apparent; or (3) concentrating attention on the use of land, control of grazing, and the like. The AAA assured the meeting that it would "continue to follow the policy of being guided by producers in the adoption of an adjustment program."²⁹ But the February 1935 issue of the *Producer* stated:

. . . there are a number of sound reasons why no regimentation of the industry should be undertaken. . . . Reasonable credit regulations and sound business management should be able to meet any situation that might develop for many years to come.³⁰

This position did not, however, represent the attitude of probably a majority of the cattle producers outside of the Western range states. Indeed it did not reflect nearly as accurately as it had a year earlier the attitude of the rank and file of range cattlemen. Cattle producers in the Corn Belt and in the South felt that every effort should be made to develop a concrete plan for consolidating the gains made in 1934. They were willing to support an amendment to the Agricultural Adjustment Act that would permit the levying of processing taxes on livestock to pay benefits for reducing feed grain production.³¹ This amendment was particularly objectionable to members of the Cattle Committee of Twenty-five from the range states, even though they were informed that a program based on such an amendment would have to be approved by the industry if it were to be put into

²⁹ G. B. Thorne, "Future Problems of the Livestock Industry in the West," *AAA Press Release* (unnumbered), Jan. 10, 1935.

³⁰ February 1935, Vol. XVI, No. 2, pp. 28-29.

³¹ See Chap. VIII.

effect.³² Instead, they continued to recommend the adoption of a packers' marketing agreement and an increase in the tariffs on imported fats, oils, and hides. As a result of the opposition of the spokesmen for this relatively small but influential section of the cattle industry, the AAA discontinued further attempts to obtain constructive co-operation and for the time being practically pigeonholed the entire matter.

³² When the matter was being discussed by the committee and the AAA early in 1935, committee members from Tennessee, Wisconsin, and Minnesota joined those from the range states in defeating, twelve to ten, a motion endorsing this amendment. Relative to either number of producers or to production, the range states had a disproportionate representation on the committee.

CHAPTER X

DROUGHT AND THE CATTLE PROGRAM

About the time the Cattle Committee of Twenty-five was considering plans for a cattle adjustment program, it became apparent that a drought of unusual severity was in the making. One of the most extensive measures undertaken to ameliorate its effects was the purchase by the government in 1934 and early 1935 of over 8 million head of cattle.

THE 1934 DROUGHT

The 1934 drought was the most serious in the history of the country. It first became critical in an area centering in the Dakotas. Here 1934 appeared as the climax of a "weather cycle," during which annual precipitation had declined sharply. Between June 1933 and May 1934 rainfall in these states had been barely one-half of normal, and only two-thirds to three-quarters of normal in an area which included most of the Corn Belt. Reserves of moisture in the soil were consequently moderately low to very low. Moreover, the situation became progressively worse in these areas as rainfall from March to May 1934 was one-third to one-half normal in the Corn Belt and from one-quarter to one-third normal in the Dakotas. During May it was from one-quarter to one-third normal in the Corn Belt (except Kansas) and less than one-fifth normal in the Dakotas. Lack of rainfall was accompanied by unseasonably high temperatures. By June 1 the crop situation had become critical in the Dakotas and parts of Minnesota, Wisconsin, Montana, Wyoming, and Nebraska, and serious in a wide area including most of the Corn Belt and extending south through the panhandles of Oklahoma and Texas.

Scattered rains during the first week in June and again during the early part of July did little to alleviate a situation which became progressively worse through the summer and early fall. The drought area widened until it included all or part of every state west of the Mississippi River with the exception of Washington. Only in northern Iowa and southern Minnesota were local rains after June 1 sufficient to cause material improvement in crop prospects. East of the Mississippi the drought continued serious in northern Illinois, Indiana, and Michigan, but was materially relieved in other sections by rains after June 1. In fact, southern Indiana and much of eastern and central Ohio harvested one of the best corn crops in years.

The general severity of the drought during the spring months first affected small grain, hay, and pasture prospects. The May 1 crop report placed hay and pasture conditions "substantially lower than on the same date in any of the past 50 years," and stated that "the need for adequate rainfall is daily becoming more acute" for small grains as well.

PLANS FOR DROUGHT RELIEF

During the first half of May, officials of three "recovery" organizations—the Agricultural Adjustment Administration, the Federal Emergency Relief Administration, and the Farm Credit Administration—watched with growing apprehension the increasing severity of the drought and made tentative plans to cope with its effects. These plans were subject to almost continuous modification as the drought continued unabated. The first public intimation that the Administration intended to take extraordinary steps to alleviate the conditions caused by the drought appeared in the press on May 14. These reports indicated that the President, after con-

ferring with the chiefs of the AAA, the FCA, and the FERA, proposed: (1) large purchases of beef cattle from farmers in the drought area; (2) relaxation of adjustment contracts in the drought area to permit additional plantings of forage crops; (3) a federal request to the railroads that they further reduce freight rates on cattle and feed in these areas; and (4) federal relief funds for increasing the water supply as well as for providing stock feed and seed to needy families. The next day the AAA announced that plans to purchase livestock and relax contract provisions were being formulated.¹

These proposals were by no means new. The Corn-Hog Section had been requested more than once to modify the corn-hog contract to permit increased forage crop plantings, and even prior to the middle of May such action had been advocated by the director of the Commodities Division. It had been requested as early as the first week in May by the Minnesota state corn-hog committee, and was repeated in a telegram sent to Secretary Wallace on May 13 by the agricultural extension directors of Minnesota, South Dakota, North Dakota, and Wisconsin. This "directors' conference" likewise urged immediate cattle purchases, the release of corn held as security for corn loans,² and federal aid to obtain seed and feed for maintaining breeding stock.

Early in June, about the time the first major modifications were being made in commodity contracts, an expanded program of general drought relief was formulated by the Administration and submitted to Congress by the President (June 9). In his message the President pointed out that organizations to handle the drought relief—the AAA, USDA, FCA, and FERA—were already in existence and that some measures had

¹ AAA Press Release No. 2580-34, May 15, 1934.

² See Chap. XI.

already been initiated, but that the drought was becoming so serious that a specific appropriation was essential. Congress acted with unusual celerity. The Emergency Appropriation bill for 1935 was amended for the purpose by the Senate Appropriations Committee, at which time the amount to be appropriated was reduced from the 525 million dollars requested by the President to 450 million. The original sum was replaced on the floor of the Senate, the amendment agreed to by the House, and the bill signed by the President on June 19, 1934. Four days later the first 100 million dollars was allocated by executive order. The total was eventually allocated to the several agencies between June 23 and December 1 much as the President had suggested in his message. As of December 1, 1934, funds had been allocated as follows (in thousands of dollars):

Federal Emergency Relief Administration:

| | |
|---|---------|
| For grants to states for direct and work relief, and for processing cattle and distributing the product | 217,590 |
| For purchase of submarginal lands | 53,390 |

United States Department of Agriculture:

| | |
|---|--------|
| For purchasing cattle (in addition to Jones-Con- nally funds) for seed and fodder purchases, and so forth | 97,780 |
| For beetle eradication and other miscellaneous pur- poses ³ | 1,065 |

Farm Credit Administration:

| | |
|---|--------|
| For loans to farmers for feed and seed under special loan arrangements | 96,785 |
|---|--------|

Civilian Conservation Corps:

| | |
|--|--------|
| For conservation work in drought areas | 58,390 |
|--|--------|

| | |
|-------------|---------|
| Total | 525,000 |
|-------------|---------|

³ The original allocations included 15 million dollars to the USDA for the Great Plains tree belt (made by Executive Order No. 6793 of July 11); but when Comptroller General McCarl ruled against it, the

An important supplement to these relief measures was the granting by the railroads of reduced rates on feed shipped into the drought area and on livestock shipped out of such areas to pasturage. Local groups, the Interstate Commerce Commission, or the President's Inter-departmental Transportation Committee could request the railroads to reduce rates for certified drought counties, and the railroads in turn filed "emergency" schedules with the ICC. These rates became almost immediately effective.⁴ They were in effect from June 4 to September 4, 1934 and were 50 per cent of the regular rate on hay, 66 $\frac{2}{3}$ per cent on whole grain and other livestock feed, and 66 $\frac{2}{3}$ per cent of the fat cattle rate on federal shipments of drought cattle.⁵

ORGANIZATION FOR DROUGHT RELIEF

A Drought Relief Service was established on May 21, 1934 to take charge of all the relief work of the AAA and the Department of Agriculture, and to correlate it with the relief activities of the FCA and FERA. The director of the Drought Relief Service⁶ headed an emergency relief committee of representatives of various com-

15 million was reallocated on December 1 to the CCC and the FERA—in the case of the latter to funds for the purchase of submarginal lands.

⁴By invoking Sec. 22 of the Interstate Commerce Act as amended, which suspends the usual rate-making procedure.

⁵Many railroads outside the drought area did not grant any rate reductions on cattle moving over their lines. If cattle were moved from one locality for pasturage and then returned to the original point of shipment, the rate was 85 per cent of the regular rate to pasturage and 15 per cent on the return. For the round trip the reduction therefore amounted to 50 per cent.

Emergency rates of 66 $\frac{2}{3}$ per cent of the regular rate on hay and 50 per cent of the regular rate on other roughages such as corn stover were put into effect Oct. 1 to expire Apr. 30, 1935, and the 85 per cent cattle rate was reinstated. The emergency rates were again re-established early in June 1935 for 131 counties designated on May 17 as 1935 drought counties.

⁶E. W. Sheets, formerly chief of the Division of Animal Husbandry of the Bureau of Animal Industry.

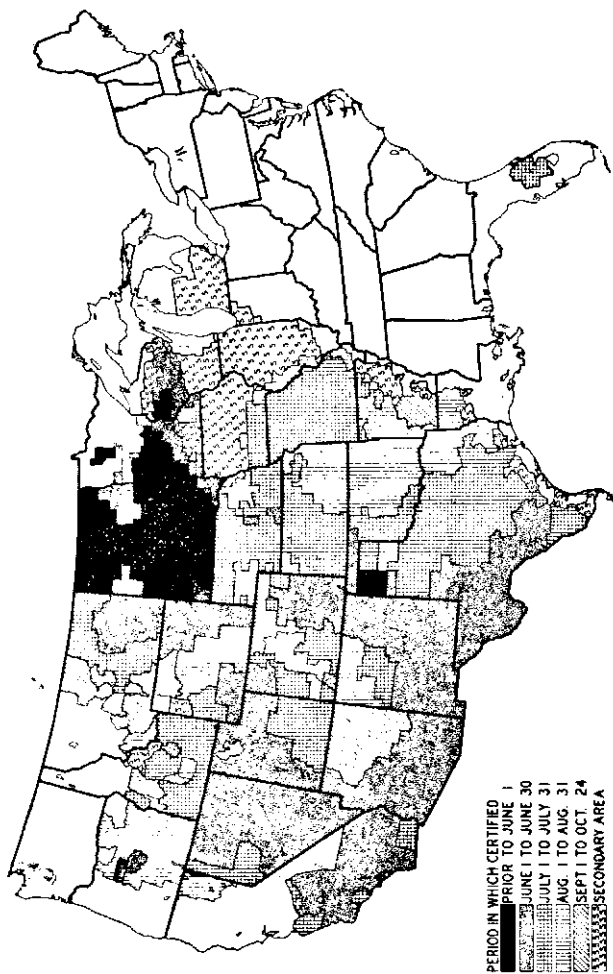
modity sections of the AAA, several bureaus of the USDA, the FCA, and the FERA.⁷ The director of the Drought Relief Service and his immediate assistants devoted most of their attention to the cattle buying program. The FERA made plans to increase the amount of direct and work relief available in drought-stricken areas, and several sections of the AAA collaborated in the preparation of administrative rulings designed to permit increases in forage crops and the pasturing of "contracted" acres in drought areas.

The responsibility of determining the areas within which these relaxations were to be applicable was placed in the hands of a committee consisting of members chosen from the Bureau of Agricultural Economics and the Federal Extension Service. This committee, later called the Area Designation Committee, made its first "certifications" on May 23, listing 121 "emergency drought" counties in the Dakotas and Minnesota, and 91 "secondary drought" counties in these and adjoining states. Almost daily certifications were made during the next three months. During June and early July the majority of the certifications consisted of secondary drought area counties, but as the drought continued unabated, many of these counties and others not previously certified were added to the primary drought area. (See the chart on page 198.) On October 24, 1934, the date of the last certification, 1,187 counties were listed as emergency, and 270 as secondary drought counties—a total of 1,457. These counties were located in every state west of the Mississippi River except Washington, and in Wisconsin, Illinois, Indiana, and Michigan.

The committee made these certifications upon the bases of crop conditions in each county as indicated by

⁷ *AAA Press Release No. 2631-34*, May 21, 1934.

EMERGENCY AND SECONDARY DROUGHT COUNTIES, 1934^a



PERIOD IN WHICH CERTIFIED
 PRIOR TO JUNE 1
 JUNE 1 TO JUNE 30
 JULY 1 TO JULY 31
 AUG. 1 TO AUG. 31
 SEPT. 1 TO OCT. 24
 SECONDARY AREA

^a Prepared from official certifications of the Drought Relief Service.

the regular reports of crop correspondents, daily reports of the Weather Bureau, and special reports and recommendations by the federal state statisticians. It was originally contemplated that these certifications would simply indicate what appeared to be from a distance the relative severity of the drought. All agencies involved in the drought relief program were expected to make further investigations to ascertain if these counties did, in fact, need emergency relief. In practice the several drought relief measures became automatically effective as soon as the counties were certified. There was, naturally, always more or less pressure on the committee to certify counties. This was particularly true of "emergency" counties, since cattle purchase operations were almost entirely confined to them. All other special drought relief measures sooner or later applied to both emergency and secondary areas.

About the middle of August the administration of drought relief was reorganized by the appointment of the President's Drought Committee consisting of the Secretary of Agriculture, the Administrators of the AAA and the FERA, and the Governor of the FCA. The task of co-ordinating the activities of the various agencies engaged in drought relief was placed in the hands of a Livestock-Feed Committee. The activities within the USDA were placed in the hands of a Drought Plans Committee and five sub-committees.⁸ A livestock purchase committee was placed in charge of the cattle (and sheep) purchasing program, though the actual buy-

⁸ The chairmen of the respective committees were as follows: Drought Plans, C. W. Warburton of the Extension Service; Area Designation, Nils A. Olsen of the Bureau of Agricultural Economics; Seed Conservation, J. F. Cox of the AAA; Livestock Purchase, G. B. Thorne of the Bureau of Agricultural Economics; Food Survey, Mordecai Ezekiel of the Department of Agriculture; Feed and Forage, D. P. Trent of the AAA.

ing was handled by the Commodities Purchase Section of the AAA. The other sub-committees made plans for conserving seed, feed, and forage, and setting up an "information service" to enable buyers and sellers of seed and feed to contact one another and survey the food situation.

DROUGHT CATTLE PURCHASES

The Drought Relief Service was unusually quick about initiating cattle purchases, which began within two weeks after the plan was approved. In the meantime, a price schedule had been decided upon, forms prepared, co-operative arrangements with the Federal Surplus Relief Corporation and the Bureau of Animal Industry established, details of a buying procedure determined upon and disseminated, and contracts let with packers for processing the animals fit for human food.

The plan provided for the "government" purchase of cattle at prices dependent upon the age and condition of the animals. The total payment per head was divided into benefit payments and purchase payments as follows:

| Classification | Benefit Payment | Purchase Payment |
|---------------------------------------|--------------------|---------------------|
| Cattle two years old and over . . . | \$6 | \$6-14 |
| Cattle one to two years old | 5 | 5-10 |
| Cattle under one year old | 3 | 1- 5 |

The purchase payment went to the owner and lien holder (if any) jointly, and could be and was used to satisfy the claims of the mortgage holder. If the claim of the lien holder exceeded the purchase payment, he was required to relinquish all claims to the balance. The benefit payment was the sole property of the producer, and the lien holder specifically waived any claim to it.

Government purchases of cattle were largely limited to officially designated "emergency" drought area coun-

ties.⁹ This area, incongruously enough, included seven Florida counties in which rains had been so excessive as to result in flooding.¹⁰ Cattle were appraised by local committeemen selected by the county relief director—usually the county agent. The procedure varied from one state to another and was altered as the cattle buying campaign progressed. At first committeemen usually visited the farm of the prospective seller and appraised the animals. Later the most common procedure was to have farmers deliver cattle on designated days at designated railroad loading points, and appraisals were made there. This practice materially reduced appraisal expense. In either case the committeemen were accompanied by a temporarily appointed Bureau of Animal Industry inspector who condemned all animals not fit for human consumption.¹¹ These condemned animals had to be disposed of by the owner in a manner approved by the inspector. Usually they were buried.

Cattle buying began in the Dakotas and Minnesota about June 4, 1934 and was not finally discontinued until January 31, 1935. Purchases were most extensive during July, August, and September 1934, and three-quarters of the 8.3 million cattle and calves bought by the government were purchased before October 1. (See the ac-

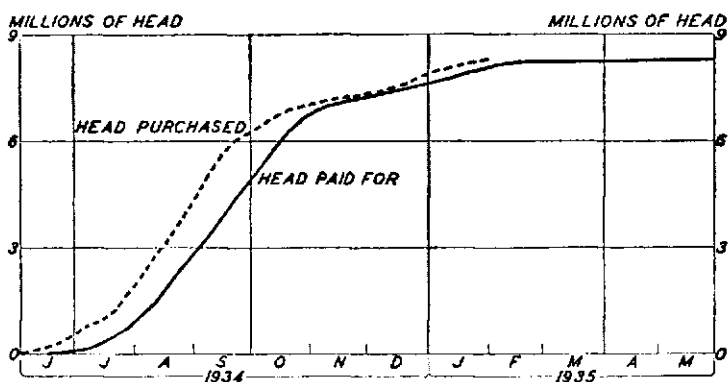
⁹ Late in 1934, after the regular Area Designation Committee had discontinued its certifications, cattle were bought in a few counties (for example, Harrison, Shelby, Audubon, and Crawford in Iowa) which were given a special certification as being in the emergency drought area.

¹⁰ Information obtained during cattle purchase operations in this area offers a striking commentary on the inadequacies of the U. S. census of 1930. In these seven counties, 207 farms sold cattle to the government, at the time of sale these 207 farms reporting cattle inventories of about 161,000 head. The 1930 census had reported over 1,300 farms in the same seven counties, with only 80,000 cattle on all 1,300 farms. This discrepancy cannot possibly be explained by the time between the dates.

¹¹ Appraisers were required by administrative ruling to pay the minimum price for all condemned animals.

companying chart.) Great pressure was exerted to increase the scope of buying operations within the drought areas.

CUMULATED NUMBER OF CATTLE HANDLED DURING THE EMERGENCY DROUGHT PROGRAM^a



^a Based on weekly data furnished by the Commodities Purchase Section, AAA.

Immediate action was called for by the urgent need of the drought-stricken areas. There was therefore no time to prepare detailed instructions to govern procedure in the field. A field office was established in St. Paul, Minnesota, and state agents and local committeemen were simply instructed to "buy cattle." Little attempt was made to allocate purchases by states or by days, and local state officials almost seemed to be vying with one another to see who could purchase the largest number of cattle, regardless of the congestion at loading points and slaughtering plants, and regardless of the feed situation of the producer. During June, July, and early August 1934, cattle were bought so rapidly and so promiscuously that no one had an accurate estimate of the number of head being bought from day to day or of what the total

commitment of the Adjustment Administration was. Apparently a statement by the Secretary of Agriculture that "no expense should be spared" was interpreted by those in charge to mean "pay no attention to expense" for either administrative costs or cattle payments.

When the drought relief activities of the Administration were reorganized in August, the first task of the Cattle Purchase Committee was to curtail purchases until the exact status of the purchase program could be determined.¹² In some states in which the feed situation did not seem to warrant them, purchases were ordered discontinued entirely. Revised quotas, usually covering a period of from ten days to two weeks, were issued as evidence became available with respect to purchases to date, commitments, available funds, feed supplies, and processing facilities. Shortly after the committee began its duties it found that actual purchases exceeded those reported by about 30,000 head, and a corresponding downward revision in quotas had to be made.

The committee made its allocations to states on the basis of the best evidence at hand with respect to available feed supplies. In this respect the special feed survey made in August by the Bureau of Agricultural Economics (largely in response to requests made by the AAA and financed by it) was invaluable. A continuous effort was made to impress upon state and county directors the necessity of (1) buying cattle in areas where, and from farmers whose, feed supplies were shortest; and (2) keeping total payments within the amount allocated. In neither case was the committee entirely successful. Even when state directors were in-

¹² This reorganization caused considerable confusion in the field for a time because of uncertainty regarding where orders from Washington should originate.

formed that the "excess" purchases would not be considered an obligation of the federal government, total payments not infrequently exceeded allocations.

During September and October the sum of the committee's allocations to states was limited by the total amount appropriated for cattle purchases, approximately 100 million dollars—an amount sufficient to purchase about 7.5 million cattle. The average daily purchases authorized contemplated reaching this goal by the middle of November 1934, at which time the majority of the committee felt that the cattle-buying program should be definitely ended. During the last part of October members of the committee personally visited most of the drought areas and reported as follows. (1) Considerable numbers of distress cattle were still in farmers' hands—many of them old cows which producers hoped to unload on the government at prices far above their value; others because state and county directors had not followed instructions to make purchases only from those producers who had fully demonstrated that their feed supplies were not sufficient to maintain their animals and to give priority to those cases in most acute distress. (2) A widespread feeling existed that promises to buy more cattle had been made, though in fact no such official commitment had been made. (3) Farmers, in hopes of selling more cattle, were failing to make every effort to conserve the feed supplies that were available. The majority of the Cattle Purchase Committee therefore reaffirmed their belief that cattle purchases should be terminated but that increased efforts should be made to make larger quantities of feed available, thereby maintaining the largest possible number of foundation stock.

The abrupt change to a rational buying policy was

naturally unpopular in the country. Many state cattle purchase officials had exceeded their authority in promising producers an opportunity to sell all the cattle they desired. When this privilege was suddenly withdrawn, producers did not bother to inquire into the merits of the case before loosing verbal assaults and applying political pressure.¹³ Protests increased when it was learned that the committee was recommending a complete cessation of cattle buying. Proponents of a continuation of the program were not disconcerted by the argument that funds appropriated for the purpose were exhausted. Their position was strengthened by the fact that officials of the AAA were by no means in complete agreement on the matter. The chief of the Cattle and Sheep Section was convinced that additional purchases should be made, particularly in the Inter-Mountain region, and the Extension Service was of the same opinion.

Under these circumstances, buying operations could not be discontinued. On December 4 it was announced¹⁴ that the total allotment had been increased to \$115,822,000. It was estimated that this increase of nearly 16 million dollars would permit the purchase of 8.5 million cattle in all. At the time this announcement was made, purchases totalled about 7.3 million head, leaving a balance of 1.2 million still to be purchased. This balance was allocated to the states by the Commodity Purchase Section, largely on the basis of recommendations of the chief of the Cattle and Sheep Section, who had been established in a regional office in Denver since

¹³ The *American Cattle Producer* said, in lamenting the changed policy: "The question of additional purchases was turned over to a committee of economists and theorists—all duly qualified by virtue of the fact that they knew nothing about the actual situation." December 1934, Vol. XVI, No. 7.

¹⁴ *AAA Press Release No. 1112-35*, Dec. 4, 1934.

the middle of August. The largest quotas in relation to cattle numbers were given to the Inter-Mountain states.

As it turned out, the desire of producers in these states to sell cattle had been exaggerated. Early in January a number of these quotas were revised downward and the difference reallocated to Mississippi Valley states which had been clamoring for a reopening of the buying program ever since purchases there had been discontinued.¹⁵ But actual purchases in these states after the program was reopened were also much less than the apparent "demand" indicated. A typical case was that of southern Iowa. All local authorities and agencies, the Governor, senators, congressmen, the local FERA administrator, and the extension service agreed that additional purchases were essential. Some petitioners claimed 200,000 should be bought. Finally, a reallocation of funds was made to permit the purchase of 60,000 head. Farmers actually sold only 4,420 head. Producers evidently wished to have this alternate outlet available in case they wanted to take advantage of it, rather than actually to sell cattle in considerable numbers because of lack of feed.¹⁶

¹⁵ Purchases were discontinued in twelve states between Sept. 26 and Dec. 3, 1934. They were reopened in two states (Idaho and South Dakota) about the middle of December and in seven more (Arkansas, Iowa, Louisiana, Minnesota, North Dakota, Oklahoma, and Oregon) between Jan. 9 and 16, 1935. In three (California, Illinois, and Wisconsin) the program was not restarted. In the remaining eleven states in which cattle purchases were made, buying was continuous after the first purchases were made in them. These states were Arizona, Colorado, Kansas, Missouri, Montana, Nebraska, Nevada, New Mexico, Texas, Utah, and Wyoming.

¹⁶ It is sometimes claimed that producers failed to sell the quotas allowed after the middle of November because market prices rose rapidly. This is probably true but the point is that the feed supply was not increased by the rise in cattle prices and the contention of those who advocated a continuation of government purchases was that feed was not available. A factor that did affect the situation, however, was that the winter of 1934-35 was unusually mild and open.

The extent to which the actual rate of purchases declined after the first of November tends to substantiate the contention of the majority of the Livestock Purchase Committee that purchases should be limited to 7.5 million head and discontinued after November 15. In spite of the fact that purchases were continued for an additional two and one half months, less than 800,000 additional cattle were bought. It must be admitted, however, that making these additional purchases created good-will out of all proportion to the number of cattle bought. Since practically all the major demands for additional quotas were granted, cattle producers and their spokesmen had little to complain of. The comparatively small increase in purchases that this entailed may have been a small price for the AAA to pay for comparative immunity from political or partisan attack.

Of the 8.3 million cattle finally purchased, nearly 25 per cent were bought in Texas and over 20 per cent in the Dakotas. The remainder were purchased in 17 of the other 18 states west of the Mississippi, and in Illinois and Florida.¹⁷ During the first part of the buying period, purchases were heaviest in the Dakotas, but once initiated they were most continuous in Texas. Apparently farmers sold about 40 per cent of their actual inventory at the time of appraisal.¹⁸ Almost 18 per cent of the animals purchased were condemned, the proportion ranging from 40 per cent in Oklahoma and 34 per cent

¹⁷ See Appendix D, pp. 376-77.

¹⁸ In most states a number of farmers made sales on two or more separate occasions. Owing to misunderstanding on the part of appraisers, the inventory was often reported every time a sale was made; this resulted in "inflated" inventory figures—in one state by as much as 40 per cent. This cast considerable doubt on the Bureau of Agricultural Economics estimates of cattle on farms, until the duplication in inventory was generally appreciated. At one time, for example, it appeared that there were more cattle on 70 per cent of the North Dakota farms than the estimated number for the whole state.

in Texas to less than 3 per cent in Kansas, Minnesota, and a number of other states. The proportion of all purchases condemned was also high in New Mexico, Utah, and Louisiana. Condemnation was usually determined by whether or not the animals, if shipped, would survive the journey.

During the early stages of the campaign, cattle were being purchased faster than they could be disposed of. This was in part because of the difficulty of co-ordinating immediately the purchasing procedure of the Drought Relief Service and the disposal procedure of the FSRC, and in part because of lack of adequate facilities for killing, chilling, and offal rendering. Consequently, considerable numbers of cattle were not shipped until some time after they were supposed to have been bought.¹⁹ To alleviate the congestion due to lack of processing facilities, about 1.6 million cattle were shipped by the FSRC to graze on pasture in Eastern and Southern states until they could be slaughtered by or under the direction of the relief organizations in these states. About 1.8 million cattle were turned over to state relief organizations in the drought states. The cattle were slaughtered by commercial packers or utilized for fresh meat or canning projects or for redistribution within the state for rehabilitation purposes. A few thousand cattle were also turned over to the Indian Service for distribution to Indian reservations.²⁰

¹⁹ Often cattle reported as purchased really were not because of the difficulty encountered in getting lien holders' consent or for other reasons.

²⁰ In order to provide for the relief of breeders of pure breed cattle in drought states, \$800,000 was transferred from the drought relief fund of the Secretary of Agriculture to the Secretary of the Interior. This fund was used to buy 15,000 registered cattle from breeders in drought counties for distribution to Indian reservations to be used as foundation stock. An average price of about \$45 a head was paid for these cattle. Most of the remainder of the fund was used for paying transportation charges on these animals.

Between one-half and two-thirds of all the cattle purchased were classified as beef cattle. This was natural, since more than three-fourths of the purchases were made in range areas.²¹ In any event, drought cattle purchases and commercial marketings in 1934 together reduced dairy cattle and calves by 2.2 million head or 6 per cent and all beef cattle by 5.5 million head or 17 per cent.

COSTS AND RESULTS

About 111.7 million dollars was paid producers for these cattle. The total purchasing expense was somewhat less than 5 million dollars.²² This does not include any of the costs of transporting, holding, grazing, and slaughtering the cattle, or cooking and canning the meat, or storing and distributing the finished product. Nor does it make allowance for the value, if any, of the hides, the property of the FSRC. About 2 million of these are in store, and no plans have been completed for disposing of them.

The cattle purchase program was financed by 63.4 million dollars from the 200 million dollar appropriation authorized²³ by the Jones-Connally Act and 53.7 million dollars from the 525 million dollar emergency drought relief appropriation. About 2 per cent of the entire amount set aside for cattle purchases was held as a

²¹ Appraisers were supposed to classify by breeds the animals purchased, but this was not always very carefully or uniformly done. The summary of the appraisers' reports of the million cattle purchased in eight states showed "beef," 67 per cent; "dairy," 15 per cent; "other," 18 per cent.

²² Nearly 5.4 million dollars in all were expended for administrative costs, but in addition to the expense incurred in purchasing cattle this total included expenses incurred in buying sheep and goats, in distributing feed and forage, and in general drought relief activities. The total expense was distributed as follows: drought relief, 1.9; Extension Service, 2.0; and Bureau of Animal Industry, 1.5 million dollars.

²³ One hundred million dollars of which was appropriated on May 25, 1934.

reserve and not allocated to the states, and about 5 per cent was set aside for administrative expenses.²⁴

On the whole, farmers were well satisfied with the schedule of payments. No doubt this was due in part to the fact that they were paid these prices for the poorer animals in the herd, for many of the cattle sold were below average in quality and many were culls. In fact, the opportunity that the program offered farmers to get rid of these low-grade animals was frequently emphasized. It is obvious that \$10 or \$12 was a liberal payment (measured by market standards) for an animal so thin and emaciated that it would not survive the trip to market. There was a wide variation in the way committeemen appraised the cattle purchased. In some counties they paid a flat price regardless of quality. In other counties there was a tendency to appraise them at or near the upper limit of the permissible range in prices, though this was by no means universal.

The total payment (benefit plus purchase) for drought relief cattle compared favorably with the farm price of cattle during most of the period during which purchases were made. The maximum total payment on cattle two years old and over was \$20 per head. The average farm price of cows other than those kept for milk was about \$17 at the time purchases were initiated.²⁵ The average farm price of milk cows in the Western states was about \$20. The maximum total payment on cattle one to two years old and on calves was likewise equal to, or slightly in excess of, the average farm prices

²⁴ The amount set aside for administrative expenses included estimated expenses of conducting other phases of the relief program, such as feed conservation activities.

²⁵ Weighted average farm price per head on Jan. 1, 1934 in North Dakota, Kansas, Texas, and Utah, adjusted by change between Jan. 15, 1934 and June 15, 1934 in the reported farm price of all beef cattle in these states.

for comparable age groups of beef and dairy animals in these states.

Ostensibly in order to make it possible to use Jones-Connally funds rather than wait until the emergency drought fund became available for purchasing these cattle, a provision was inserted in the Emergency Cattle Agreement binding the producer to co-operate in any subsequent adjustment or reduction program, and the total purchase payment was divided into two parts, the "purchase" payment and the "benefit" payment.²⁶ This provision of the agreement was "heatedly attacked" by those whom the AAA in its rebuttal referred to as "professional critics" as delegating "control of an industry to a bureaucracy,"²⁷ and as "a deplorable and inexcusable requirement in return for aid extended to those in dire distress."²⁸ The AAA vigorously defended the provision as necessary (1) if purchases were to be immediately initiated and (2) if a portion of the payments were to belong solely to the producer and not be subject to the claims of the lien holder. An official statement ran:

. . . Congress had just adopted an amendment to the Agricultural Adjustment Act making beef and dairy cattle a basic commodity and had authorized 200 million dollars for use under the provisions of the Agricultural Adjustment Act in helping bring about adjustments in beef and dairy cattle.

We wanted to move immediately. We wanted also to be sure that a portion of the purchase price of cattle would belong to the farmer or rancher, and not be subject to the claims of

²⁶ The pertinent part of the provision was as follows: "The producer agrees to co-operate with further general programs pertaining to the adjustment or reduction of production . . . ; to execute the necessary agreements . . . and . . . that the total or any part thereof of the 'benefit payment' for the cattle [now being sold] may be applied to and deducted from any payments he may become entitled to under such agreement or agreements." *AAA Form No. Cattle 2*, p. 2.

²⁷ *Saturday Evening Post*, Dec. 8, 1934, p. 96.

²⁸ *Hoard's Dairyman*, Aug. 10, 1934, Vol. 79, No. 15, p. 354.

the mortgage or lien holder. We found we could accomplish this by designating a portion of the price paid as a benefit payment. . . . But benefit payments under the . . . Agricultural Adjustment Act can only be made legally in consideration of an agreement to adjust production. In order to move quickly and use the funds available under the cattle amendment, we provided the simple agreement that the man who sold his cattle to the government would co-operate with future general programs pertaining to the adjustment or reduction of production of cattle. In this way only were we able to use Jones-Connally Act funds, and so avoid weeks of terrible delay, with starvation and destruction of many cattle and demoralization of cattle markets that would have ensued if we had to wait for drought relief funds. . . .²⁹

This argument is misleading in at least two respects. First, the Jones-Connally Act specifically provides that the funds which it authorizes may be used (1) to remove agricultural surpluses or (2) to support and balance the market. Either one or both of these provisions could have been invoked to make the use of these funds for cattle purchases legal. In fact, one or the other of these provisions must have been used by the AAA, perhaps without conscious realization of the fact, in order to make the "purchase payment" part of the total payment for cattle. Nothing in the original act or its amendments suggests that the adoption of the benefit payment procedure automatically authorizes the further use of the Jones-Connally appropriation (or funds derived from processing taxes) for such "purchase payments."³⁰

²⁹ *AAA Press Release No. 549-35*, Sept. 8, 1934. See also *AAA Press Release No. 1154-35*, Dec. 11, 1934.

³⁰ The AAA has on other occasions shown a disinclination to use, or to admit that it was possible to use, the provisions of the act providing for the removal of agricultural surpluses. Evidently, the Adjustment Administration wishes to keep this provision of the act very much in the background—presumably to reduce to a minimum the pressure from interested groups to invoke a procedure that the AAA believed to be a temporary expedient at best.

Second, the benefit payment procedure was not the only one that could have been used to give to the producer without recourse by the lien holder part of the total purchase price paid. In fact, a procedure for accomplishing this objective by other means was devised in the case of purchases of sheep and goats: the total payment was divided into two parts, a "service and disposition payment" and a "purchase payment," and lien holders agreed to waive all claims to the former.³¹

The primary reason for the inclusion of this controversial provision in the cattle agreement was the unavoidable uncertainty with respect to the eventual outcome of the drought and the cattle-buying program. If the drought had been broken by heavy rains early in June, the necessity of relieving the emergency created by it would have disappeared. If cattle purchases had then been discontinued, the shelved control program or one similar thereto might have been revived. Producers who had already been paid premium prices for cattle sold during the drought were certainly not entitled to further payments for this reduction in their herds—at least certainly not as large payments as producers who had not even had a chance to sell during the emergency campaign. With no further, or only small additional, payments due them, the former would have had little financial incentive to co-operate. They had already received their benefits.

The obligation on the part of the signers of the emergency cattle agreement to co-operate with the govern-

³¹ It is probable, however, that this method did not occur to the AAA until some time after the cattle purchase program was initiated. As part of its drought relief activities, the AAA purchased 3.6 million sheep, 2.2 million of which were condemned, and 354,000 goats, two-thirds of which were condemned. About 7.7 million dollars was paid for them.

ment in any future cattle program expires June 1, 1936. It is interesting to speculate on the effect of the precedent that will be established if no further cattle program is initiated prior to this date. "Benefit payments" have been made to producers in return for an agreement on their part to co-operate with any future adjustment program, if, as, and when initiated. If no such program is initiated, relatively minor changes in the method of making benefit payments would result in a procedure essentially equivalent to an earlier form of the "domestic allotment" plan. "Benefit payments" would be made on the domestically consumed portion of every farmer's production, if desired in amounts equivalent to the tariff rate multiplied by that portion. They in turn would agree to co-operate in any adjustment program initiated prior to a given date, but no program would, in fact, be initiated. This logical extension of the precedent established by the cattle purchase program means that the phrase "provide for reduction" in Section 8 (1) must be interpreted as "lay plans for, but not necessarily carry to fruition, a reduction program" rather than an inflexible "require or obtain a reduction."

The commercial cattle market in 1934 was maintained at much higher levels by the government purchases than would otherwise have been the case. Federally inspected slaughter of cattle and calves in 1934, excluding government slaughter, was about 16 million head, or about 18 per cent larger than in 1933, and the largest on record. At least an additional 2.5 or perhaps 3 million head would have been slaughtered under federal inspection if no government purchases had been made. Few if any of the 1.3 million cattle condemned would have come to market, and in view of the extremely low market prices that would have prevailed, many of the remaining 6.5

million would not have been slaughtered under federal inspection;³² but there would have been greater liquidation of cattle from the herds of producers who, due to the support given the market by the government, were able to or decided to hold on. Instead of improving after mid-summer, prices would have declined to a level but slightly above the cost of marketing the poorer grades of cattle, and would have remained there until the liquidation had run its course, in the spring of 1935. As it was, the crisis was probably the most serious in the history of the cattle industry; without the drought purchases it would have been very much worse.

Because of the changed cattle situation, marketings will be light for several years if producers behave as they have under similar conditions in the past. Indeed, if the 1934 drought has semi-permanently reduced the carrying capacity of Western ranges and if grazing in national forests and other federally controlled grazing areas is considerably restricted, cattle numbers in these areas may increase relatively slowly. But a considerable part of the increase in all cattle numbers between 1928 and 1934 took place in the Corn Belt. In this area the cattle enterprise can and probably will stage a comeback relatively rapidly. This will reduce market supplies at the time, and cattle prices will remain relatively high and thereby stimulate further expansion of the cattle "plant." This tendency will be accelerated if concurrent crop control programs increase pasture and hay production.

In this connection it should be noted that the Taylor Grazing Act³³ may tend to prevent undue expansion of the cattle (and sheep) industries in the Western range

³² Normally about two-thirds of the cattle and half of the calves annually slaughtered are federally inspected.

³³ 48 Stat. L. 1269.

states in the future. This act authorizes the Secretary of the Interior to provide for the protection, orderly use, and regulation of the public ranges and to create grazing districts with an aggregate area of not more than 80 million acres. State committees have recommended the inclusion of about 142 million acres in these districts, and an amendment to the act to permit this will probably be passed by the 74th Congress. The Director of Grazing, assisted by local stockmen acting as advisers, issues licenses to graze cattle and sheep on the public land in these districts. It is expected that the cattle licenses to be issued for 1936 and thereafter will permit the maintenance by Western cattlemen of a number of cattle at least as large as the number on hand January 1, 1935, but that the number of sheep to be grazed will be reduced by 5 per cent in some districts and by as much as 35 per cent in others.

Since another 140 million acres of the Western range is located in national forests and parks, the federal government will shortly have control of nearly one-half the 550 million acres of land having an annual rainfall of less than 15 inches. If proper co-operation between the Department of the Interior and the Department of Agriculture can be secured—a condition that has not always obtained in the past—it should be possible to exercise a considerable degree of control over livestock numbers in the range areas with resulting benefits to the range, the rangemen, and the nation.

CHAPTER XI

GOVERNMENT LOANS ON STORED CORN

Between November 23, 1933 and May 1, 1934 nearly 200,000 farmers in ten Corn Belt states borrowed 122 million dollars on the security of 271 million bushels of corn stored and sealed on the borrowers' farms. Over 98 per cent of these loans were made directly or indirectly by the government through the Commodity Credit Corporation. During 1934 and 1935, all of these loans were repaid with interest, 99.95 per cent of them by the original borrowers—a highly satisfactory conclusion to a novel experiment. There have been few occasions when any lending agency, private or public, has obtained repayment of nearly a quarter of a million loans aggregating over 120 million dollars, plus interest, without the loss of a single penny. Similar loans were made in the fall and winter of 1934-35 and will be available again in 1935-36. One outgrowth of this loan program has been the suggestion that it should form the basis of an "ever-normal granary" plan.

The corn loan program was initiated primarily to quiet unrest in the Corn Belt and to spike the guns of groups demanding more drastic measures of farm relief.¹ It was, however, a relatively simple matter to bring forward rational arguments in support of the move. Corn prices had declined "unduly" following the collapse of the speculative boom in the early summer of 1933. They were, it was argued, bound to advance again because the Roosevelt Administration was pledged to raise commodity prices in general and agricultural prices in par-

¹ See D. A. FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 56-57.

ticular, and because corn supplies were to be curtailed in 1934 by a production reduction program. Yet many farmers who were financially unable to hold their corn would be forced to sell at current low prices. Others, though able to hold, might not realize the "advantage" of doing so. Under these conditions, the gains expected from these price-raising efforts would accrue to far-sighted speculators who were able to buy and hold the corn. This would not increase "rural buying power," the prime objective of the Agricultural Adjustment Act. A system of corn loans would both advance the time at which farmers obtained the promised increase in buying power, and increase the amount of it. This kind of "stabilization" operation, in contrast to Federal Farm Board operations, the argument concluded, was bound to be self-liquidating because subsequent supplies of corn were to be controlled.

The immediate initiation of these loans was possible because: (1) six Corn Belt states already had farm warehousing acts on their statute books; and (2) the Commodity Credit Corporation, a federal organization authorized to make such loans, was already in existence.² Other states quickly passed farm warehousing acts and by January 1, 1934 producers in parts or all of twelve Mid-West states could borrow money on the security of stored corn.³ Eligible producers⁴ stored their "merchant-

² The Commodity Credit Corporation was incorporated on Oct. 17, 1933 to make loans on, or purchase, such agricultural or other commodities as might be designated by the President. Its incorporation was a direct outgrowth of the demand from the South for (among other things) loans on warehoused cotton. In addition to corn, loans were made on cotton, turpentine, and rosin.

³ FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 58-59. In two states the corn had to be stored in bonded warehouses.

⁴ Producers in designated Corn Belt counties. After Mar. 31, 1934 a producer to be eligible must have signed a 1934 corn-hog reduction contract. Prior to that time he had to agree to sign a corn-hog con-

able" corn on the ear in cribs on the farm, had it sealed according to state law, and borrowed 45 cents a bushel either from a local lending agency or the Credit Corporation, turning over the "warehouse certificate" issued by the state as security. The local lending agency could, in turn, sell the paper secured by these certificates to the Corporation with accrued interest at 4 per cent, which rate of interest producers also paid. In the event that corn prices were less than loan value at maturity date (August 1), the borrowers were permitted to discharge the obligation to repay the lender by delivery, at local lending points, of the number of bushels of stored corn upon which the loan was obtained.

The program was developed jointly by the AAA and the Commodity Credit Corporation, but was conducted entirely by the Corporation. A commitment of 150 million dollars was obtained from the Reconstruction Finance Corporation to finance the loans. The Federal Reserve system acted as the fiscal agent of the RFC and held the paper as security for loans to the Commodity Credit Corporation. Disbursements and collections were likewise handled by the Federal Reserve Banks. The inspection and sealing of the corn and the issuing of certificates were done by county and state authorities as provided by the laws of the respective states. Procedure naturally varied somewhat from state to state, but in most cases some kind of county "warehousing board" appointed sealers and inspectors and issued the certifi-

tract when it became available. Theoretically, he had to be qualified to sign the reduction contract in order to be eligible for a corn loan. In practice no concerted effort was made to see that all borrowers either signed a reduction contract or repaid the loan immediately, though in some counties local authorities attempted to see that they did. As a matter of fact, only a very occasional borrower did not sign a corn-hog contract.

ates.⁵ At first some confusion existed, especially in Nebraska, because, although the state law prescribed the procedure for sealing corn and issuing certificates, the AAA laid down certain minimum requirements with respect to grade of corn, type of crib, and so forth. Thus in order to be eligible for a "government" loan, the requirements of both the state law and federal government had to be met.⁶

The expiration date for making loans was originally set at March 1, 1934, but it was twice extended, the second time to May 1, 1934. The maturity date, originally set for August 1, was extended to October 15, 1934. A small number of loans were indeed either repaid or converted after that date. Most of the notes were sold by the original lending agent to the Commodity Credit Corporation shortly after they were received from producers, since local lending agencies did not care to carry in their portfolios notes whose face value was materially larger than the market value of the collateral. About one-fifth of the notes, however, were held until June 1934 and then sold, the Commodity Credit Corporation having specified that it would not buy any paper after July 1, 1934. As a matter of fact, notes for a small amount were accepted after this date due to the necessity of making corrections in the loan paper which had been presented prior to July 1. The table on page 221 shows the approximate volume of 1933-34 loans made by the Credit Corporation, together with monthly repayments of these advances.

⁵ FitzGerald, *Corn and Hogs under the Agricultural Adjustment Act*, pp. 60-63.

⁶ In this respect, the Adjustment Administration and the Commodity Credit Corporation acted no differently than a private lender, who, likewise, would have the right to prescribe the conditions, in addition to those laid down by the state, under which he would make loans.

During the entire period in which loans were being made the farm price of corn in the major Corn Belt states was 10 to 15 cents below the loan value. Farmers consequently had everything to gain and nothing to lose

1933-34 LOANS AND REPAYMENTS ON STORED CORN
(In millions of dollars)

| Year and Month | Loans ^a | Repayments |
|----------------|--------------------|------------|
| 1933: | | |
| December..... | 14.6 | b |
| 1934: | | |
| January..... | 30.3 | b |
| February..... | 20.5 | b |
| March..... | 15.0 | 0.1 |
| April..... | 6.8 | 0.1 |
| May..... | 3.9 | 0.2 |
| June..... | 28.7 | 3.0 |
| July..... | 0.7 | 15.3 |
| August..... | — | 37.8 |
| September..... | — | 27.4 |
| October..... | — | 24.4 |
| November..... | — | 9.9 |
| December..... | — | 1.8 |
| 1935: | | |
| January..... | — | 0.4 |
| February..... | — | 0.1 |
| March..... | — | b |
| Total..... | 120.5 | 120.5 |

^a Monthly acceptances by the Commodity Credit Corporation and the monthly borrowings by producers. A small number of producers' notes were never discounted but were held by local lending agencies until they were repaid by the borrower. Although lenders were supposed even in these cases, to forward "advice of loan" slips to the Commodity Credit Corporation, this was not invariably done, and so there is no adequate record of the volume of these loans. The AAA has estimated the amount of these loans at \$1,350,000. *Agricultural Adjustment in 1934*, AAA, p. 216.

^b Less than \$50,000. A few notes were repaid after March 1935.

by taking advantage of this borrowing opportunity. The monetary advantage was most pronounced in the western part of the area, where prices are usually lower than elsewhere because of the distance from the "deficit" corn areas. The policy of making loans at a 45-cent rate re-

ardless of location was largely dictated by the necessity of simplicity in the interest of speedy inauguration of the loans. A rate based on the usual differentials between areas was contemplated first, but this would have necessitated establishing differential loan rates by counties or other small geographical areas and thus have materially complicated and delayed the program. No doubt at least three other considerations had some influence: (1) a flat rate made the offer most attractive in the "hot-bed" of the farm unrest; (2) to the casual observer the rate seemed less out of line with market prices than was actually the case; (3) a rate of 45 cents on the farm was roughly equivalent to two-thirds of the parity price, which was the same relation that the cotton loan rate bore to parity prices for cotton.⁷

The loan value actually initiated was a good deal higher than that originally contemplated, which called for 50-cent loans on a Chicago basis.⁸ This was particularly true for the western Corn Belt. The initial proposal would have meant loans in western Iowa and eastern Nebraska at a rate 10 to 15 cents lower than in north central Illinois and 15 to 20 cents lower than the rate finally fixed. It seems safe to conclude that the rates suggested in these first proposals were at least as high as

⁷ There seems to have been no particular significance in the two-thirds of parity loan rate first applied to cotton and shortly thereafter to corn—no belief that a price at least two-thirds of parity when the loans became due was a specific goal of Administration programs. Rather, the rates were set at levels as close as possible to those dictated by careful analyses of prospective prices, and yet high enough to satisfy the demands of producers and their spokesmen and quiet farm unrest. See H. I. Richards, *Cotton under the AAA*, for the relation between the loan rates requested and established on cotton.

⁸ The first newspaper announcement mentioned a 45-cent rate at Chicago, but the first official announcement, a 50-cent rate. Moreover, this rate was to be on corn grading No. 2 or better as contrasted with the final requirement that the corn be grade No. 4 or better and "merchantable."

seemed "safe." They were not, however, high enough to satisfy producers and quiet farm unrest—in fact quite the reverse. To do this it was necessary to establish a loan rate from 20 to 80 per cent higher than a reasonable analysis of the situation seemed to justify. But the possible acquisition by the government of a considerable quantity of corn was a bridge that did not have to be crossed at the outset. On the other hand, the demand for a liberal corn loan was real and pressing. In the meantime, anything might happen—and most of it did.

Farmers in the ten Corn Belt states borrowed 121 million dollars on sealed corn. Nearly one-half of this amount was loaned in Iowa, almost exactly one-quarter in Illinois, and not far from one-fifth in Nebraska. Less than 10 per cent of the total was loaned in the remaining seven states. The tabulation on page 224 shows the approximate amount loaned and the number of bushels pledged as security therefor, by states.⁹ Loans tended to be concentrated in the cash corn areas of the several states. Thus a large proportion of the loans made in Iowa were made in the western, especially in the northwestern, part of the state. This area normally sells one-quarter to one-third of its annual corn crop for cash.

The 1933-34 corn loan program was efficiently and effectively administered. Farmers were able to borrow money very shortly after the original broad outlines of the program were announced. The duties and responsibilities of the several federal and state agencies were carefully delimited and co-ordinated. The pledged corn

⁹ According to "advice of loan" slips forwarded the Commodity Credit Corporation by the original lending agencies. A negligible number of loans were made of which the Corporation has no record. In order to provide a factor of safety to allow for unavoidable errors in measurement, losses due to improper floors, rodents, shrinkage, etc., requirements were such that somewhat more corn was placed under seal than was pledged as security.

was reasonably carefully inspected and sealed. In many states, particularly Iowa and Illinois, state officials did everything in their power to co-operate in the plan and expedite loans. Local bankers, after momentary hesitation, made their facilities available to borrowers, so that producers were able to obtain the full face value of the note almost immediately.

DISTRIBUTION BY STATES OF 1933-34 CORN LOANS

| State | Amount Borrowed (In thousands of dollars) | Corn Pledged (In thousands of bushels) |
|-------------------|---|--|
| Iowa..... | 57,150 | 128,010 |
| Illinois..... | 31,100 | 69,660 |
| Nebraska..... | 22,000 | 49,280 |
| Minnesota..... | 5,500 | 12,320 |
| South Dakota..... | 1,700 | 3,800 |
| Indiana..... | 1,200 | 2,680 |
| Kansas..... | 1,000 | 2,240 |
| Missouri..... | 1,000 | 2,240 |
| Ohio..... | 280 | 620 |
| Colorado..... | 70 | 150 |
| Total..... | 121,000 | 271,000 |

The cost to the borrower was likewise reasonable. Sealing, inspection, and filing expenses (all representing state charges) paid by the producer at the time he sealed the corn amounted to slightly less than 1.5 million dollars, or slightly more than one-half cent a bushel. The interest and insurance charges amounted to nearly 2.75 million dollars, or about 1 cent a bushel.¹⁰ The total cost was thus about 1.5 cents a bushel, or 3.4 per cent of the face value of the note during the time the money was borrowed—on the average about six months. If the average had been one year the cost would have been about 5.6 per cent since state inspection, sealing, and fil-

¹⁰ No interest or insurance expense was to be paid by the producer in the event that he had elected to turn the security over to the lender.

ing charges were fixed regardless of the length of time the loan was in effect.¹¹

The 1933-34 corn loan operation was "profitable" to the government. The Commodity Credit Corporation paid the RFC slightly more than 1.75 million dollars interest,¹² and was in turn paid over 2.3 million dollars by producer borrowers. Deduction of direct and allocated administration expenses amounting to \$100,000 left an operating gain of slightly under half a million dollars to the Corporation.¹³

The least satisfactory part of the 1933-34 loan was the provision, or rather the lack of provision, for releasing the sealed corn for sale so that the loan could be repaid from the proceeds.¹⁴ Early in June 1934, producers were given permission to obtain partial release of their corn, "solely for feeding purposes," by paying the lending agency at the rate of 47 cents a bushel for the amount released. The lending agency then notified the official sealer or inspector who broke the seal, supervised the removal of corn on which the loan had been repaid, and resealed the remainder. But still the producer had to pay off this part of the loan before the corn was released. At the same time the Corporation permitted the managers of the RFC loan agencies to consent to the sale of the corn on behalf of the Credit Corporation and the RFC. Upon receipt of the name of the prospective purchaser and the price, the agency manager had authority

¹¹ When corn was resealed under a 1934-35 loan agreement the producer had to pay for reinspection and resealing. In effect the old loan was paid off and a new one made simultaneously.

¹² The Corporation paid interest to the RFC at a rate of 3 per cent.

¹³ A proportionate share of the "overhead" of the Finance Division of the AAA and the salary and travel expense of two field supervisors paid by the Corn-Hog Section are not included.

¹⁴ No difficulty was encountered, obviously, when the producer could first pay off the loan and then request that the corn be unsealed.

to consent to the sale, and upon such consent was required to advise the purchaser and sealer or inspector. The purchaser and producer were held jointly liable for the repayment of the loan from the sales proceeds. However, in many cases in which the corn had to be sold in order to repay the loan, the borrower simply broke the seal, sold the corn, and then paid off the loan. Since the corn was still covered by the lien, the purchaser would have been liable if the note had not been paid. Only a few cases of this kind were reported, principally because borrowers still had a substantial equity in the corn.

In many ways the 1933-34 corn loan was as unconventional an experiment as any so far devised. Certainly it contained elements that under less propitious circumstances would have caused no end of trouble, if not disaster. Judged by commonly accepted standards of soundness, the risks assumed were enormous. The 271 million bushels of corn put up as collateral for the 120 million dollars borrowed was "appraised" by state sealers or inspectors about whom the lender knew little or nothing, and stored in 200,000 places scattered over ten states—frequently in wire cribs having no floors and only makeshift roofs. Even the financial responsibility of the 190,000 borrowers was unknown. Furthermore, a loan rate materially higher than the market at the time the loans were made, and materially higher than future prospects appeared to warrant, must be considered as an unavoidable concession to the exigencies then existing, rather than a procedure which can be indulged in with impunity in the future.

One danger was the possibility of collusion between the borrower and local sealer or inspector, particularly as the latter was not responsible to either the original lender or the Commodity Credit Corporation. All the

evidence indicates that there were few if any cases of this kind, a remarkable tribute to the integrity of the local, and not infrequently political, appointees. A second danger, since the collateral remained in the backyards of the borrowers rather than in the hands of the lender or a bonded and responsible intermediary, was that the sealed corn would be illegally fed, sold, or otherwise converted. This hazard appeared tremendous; yet it became an actuality with less than one-fifth of 1 per cent of the borrowers. In most of these cases the corn had been either illegally converted or destroyed by fire, the latter apparently of incendiary origin. Moreover, the Corporation was able to get repayment in full from 80 per cent of these borrowers, thus leaving an almost negligible amount to be recouped from the insurance companies. The latter made handsome profits on insuring the 1933-34 loans, but as a result of the experience were induced to reduce the initial rate of 4.5 cents per \$100 to 3.5 cents on July 1, 1934.

Primarily responsible for the exceedingly satisfactory outcome of the 1933-34 corn loan was the 1934 drought. Just when it appeared extremely probable that the Credit Corporation would have to accept a large part of the corn on which loans had been made, grain prices began to advance rapidly as lack of moisture and unseasonably high temperatures began to take their toll of the crops. Corn prices increased sharply in July, and by the middle of that month the Iowa farm price had reached the loan value. A small additional advance occurred in July and a 16-cent jump in August. Repayments which had amounted to less than half a million dollars from December 1933 through May 1934 jumped to over 37 million dollars in August. Not all the released corn was sold at the prevailing market

prices, however. A not inconsiderable portion was fed to livestock on the sealers' farms.

If weather conditions had been normal in 1934 it seems almost certain that only a small portion of the loans would have been repaid. If pastures, hay crops, and small grain production had been normal there would have been little occasion to fall back on the sealed corn during the summer. Average yields of the 95 million acres planted to corn in 1934 would have resulted in an ample corn supply in view of the unexpectedly large reduction in the spring pig crop of 1934, partly as a result of the 1934 corn-hog reduction program, and partly due to an unusually unfavorable corn-hog ratio the previous year. No plan for dealing with such an eventuality had been completed when the drought and ensuing advance in corn prices made one unnecessary. It was the intention to develop, if possible, a method of holding this "government" corn on farms by one means or another and to use it to pay farmers for reducing production in 1935. Perhaps the least of the difficulties this would have raised would have been the necessity of obtaining an amendment to the Agricultural Adjustment Act authorizing rental and benefit payments "in kind."¹⁵

Though the situation was concurrently affected by a whole series of conflicting influences, the 1933-34 corn loan seems to have had at least five short-run or immediate effects. (1) Marketings of corn were reduced, thereby supporting the market and increasing returns to those holders of corn who did sell during the period. (2) The amount of corn fed to livestock during the winter, spring, and early summer of 1933-34 was reduced,

¹⁵ Such an amendment eventually became law but not until August 1935. See Chap. XIV.

thereby making available a greater supply when, as events turned out, the need for it was acute.¹⁶ (3) Hog marketings were increased and hog prices depressed during the early part of the marketing year. The effect of the corn loans on the hog market was probably not very great, since the corn-hog ratio was extremely unfavorable to hog feeding even prior to the initiation of the loans. This in itself has, in the past, resulted in earlier than usual marketings and lighter than usual weights. Cattle marketings and cattle prices tended to be similarly affected, though again the effect was probably not very great. (4) The program adversely affected the "profits" of livestock feeders and dairymen, especially those who had to buy corn. Cattle feeders indeed felt that they were entitled to recoup these losses from the government.¹⁷ (5) The 1933-34 corn loan caused a not inconsiderable amount of credit "expansion," if not "inflation," both because the loan rate was higher than the market price and because at least some of the corn placed under seal would not have been sold.¹⁸ In many rural communities the stimulus to local business activity was marked. Producers used the proceeds of these loans to pay taxes and old debts, and to buy clothing, farm equipment, and even radios and other "luxuries." This increase in agricultural buying tended to react favorably on industry and to promote "general economic recovery."

The net effects of the 1933-34 corn loan as contrasted with its immediate influences are more obscure. It seems

¹⁶ The AAA estimates the additional amount carried over as 50 million bushels. *AAA Press Release No. 1362-35*, Jan. 11, 1935.

¹⁷ See p. 186.

¹⁸ This expansion would have been approximately equal to the total value of the loan, 122 million dollars, only if (1) producers sold as much corn for cash as they would have done had no loan program been initiated, or (2) if corn buyers had "spent" the funds that they would otherwise have invested in corn in equally effective ways.

certain, however, that farmers who took advantage of the loans, much less all farmers as a group, did not realize a net gain of nearly 83 million dollars as officially reported by the AAA.¹⁹ This amount represented the difference between loan values plus the cost of the loans and the market (not the farm) value of the sealed corn the month it was released. In the first place, a considerable amount of the released corn was fed to livestock on the borrower's farm. In the great majority of cases this livestock when sold failed to "pay" for the corn fed at current market prices. In the second place, a great deal of the released corn was sold to other producers so that gains to the sealing producers were offset by losses to the buyers when they in turn sold the livestock to which the corn had been fed.

On the other hand, to limit the net gain to agriculture to that obtained from sales of released corn to non-agricultural users is likewise too simple a solution. Agriculture certainly profited by the fact that the loans tended to hold corn in producing areas where it was later needed, thus saving an appreciable amount in freight and handling charges. This saving was probably split between buyers and sellers. Both agriculture and the nation gained by the fact that the corn saved during the fall and winter of 1933-34 enabled the maintenance of a somewhat larger supply of foundation stock on farms, especially in drought areas, than would otherwise have been the case.²⁰ Livestock prices were thus somewhat higher during the summer and fall of 1934 than they would have been if this additional livestock had been liquidated.

¹⁹ AAA Press Release No. 1362-35.

²⁰ Presumably also the relief burden was slightly lower for the same reasons.

One obvious outgrowth of the operation of the 1933-34 corn loan was its re-inauguration with minor changes in the fall of 1934.²¹ The 1934-35 loan rate was increased to 55 cents, and a borrower was required to take out primary insurance, which he could obtain at 75 cents per \$100,²² covering not only the loan value of his corn but also his own equity in it. The new loans matured on June 30, 1935. This date was adopted because the Commodity Credit Corporation felt that it would be to the advantage of both the producer and the Corporation to liquidate loans before corn prices began to reflect the influence of the 1935 small grain and corn crops. In view of the decrease in the number of livestock on farms, normal weather conditions would almost certainly mean much lower feed prices. There was a striking distinction between the 1933-34 and 1934-35 loans in the relation that the loan rates bore to market prices. Between September 22, 1934, when the new loans were announced, and May 1935, corn prices in Iowa ranged from 70 to 90 cents a bushel compared to the loan rate of 55 cents. Moreover, the 1934 corn crop was extremely short. Consequently, only about 20 million bushels²³ were placed under seal during 1934-35 as compared to 271 million bushels the previous winter. Furthermore,

²¹ The 1934-35 loan program was announced on Sept. 22, 1934. (*AAA Press Release No. 632-35.*) At the same time borrowers under the 1933-34 program were informed that they would have to repay or convert all outstanding 1933-34 loans to 1934-35 loans prior to Oct. 15, 1934, which nullified the prematurely announced extension of the 1933-34 loan to Jan. 1, 1935. Actually, nearly 21 million dollars of 1933-34 loans were neither repaid nor converted until after Nov. 1, 1934, and the last loan was not settled until May 1935.

²² The rate for similar insurance the previous year had been \$1.55 per \$100 and the carrying of this insurance had been optional with the producer.

²³ Based on "advice of loan" slips received by the Commodity Credit Corporation. See note *a* to table on p. 221.

local lenders held about two-thirds of the producers' notes and the Commodity Credit Corporation only one-third.

As a result of the experience gained during the operation of the first loan, a number of improvements were made in the 1934 loan procedure. The insurance coverage required of borrowers was increased. Crib requirements were made more rigid. Many state warehouse laws were amended to conform to common standards. More care was taken in periodically inspecting sealed cribs, and a definite procedure was laid down for permitting borrowers to dispose of the corn in order to retire the loan on it.

The 1934-35 loan rate bore a more "reasonable" relation to existing and prospective market prices than the previous one, primarily because the notes had to be paid long before the 1935 corn crop was made. Even if producers had turned down a control program for 1935 (see Chapter VIII) and greatly increased acreages planted to corn, prices promised to remain at relatively high levels until the new crop or small grain substitutes became available in volume.

As a result of the favorable reaction of producers to the 1933-34 loan and in order to increase the attractiveness of the 1935 corn-hog adjustment contract, the AAA had announced in the fall of 1934 that every effort would be made to provide for loans on the 1935 corn crop. No definite promise could be made at the time since the charters of the RFC and the Commodity Credit Corporation were due to expire early in 1935. Either these charters would have to be extended or another method of making loans would have to be devised. On January 30, 1934 the AAA definitely announced that contract signers would be able in the fall of 1935 to

borrow on stored corn.²⁴ Shortly thereafter, Congress extended the life of the RFC to February 1, 1937, and the Commodity Credit Corporation to April 1, 1937, thus making it possible for the latter to undertake such loans. The loan rate, it was pointed out, would not and could not be determined "until later in the season when the essential facts have developed in regard to probable production and feed requirements." This can be interpreted either as indicating a decision to set loan rates in line with existing and immediately prospective market values or as merely leaving the matter open. If loans are to be made at rates in line with market values they promise to be attractive only to producers wishing to finance feeding operations and to those desiring for one reason or another to hold their corn till toward the end of the marketing season. Now that private lending agencies have had a demonstration of the practicability of making loans on sealed corn at rates in line with market values, they should be willing and able to take care of most demands of this kind.

If the matter is merely being left open, it is possible that the loan rate will be set out of line with market values as a step in the inauguration of an "ever-normal granary." Government loans on stored grain have been suggested as the basis for developing, in conjunction with production adjustment, a far-reaching scheme for stabilizing agricultural production in line with "effective demand," for guarding against short crops, and for protecting the consumer against food shortage.²⁵ It has been stated that the corn loan program of the AAA was the first step in the inauguration of this "ever-normal gran-

²⁴ Chester C. Davis, "Agricultural Adjustment, Present and Future," *AAA Press Release No. 1464-35*, Jan. 30, 1935.

²⁵ See J. S. Davis, *Wheat and the AAA*, pp. 403-09.

ary" scheme.²⁶ No detailed plan for initiating this scheme on a comprehensive scale has yet been announced, but the proposition would appear to involve the following: (1) a carry-over at the end of the crop year larger, perhaps several times larger, than has been customary in the past; (2) the carry-over to be held on farms, but financed directly or indirectly by "government" loans; (3) provision for making payments in kind to co-operating producers so that they could be paid in corn for their production adjustments; (4) year to year adjustments in corn plantings based upon prospective demand and the size of the carry-over. Thus following years in which corn production had been large due to exceptional weather, acreage planted would be readjusted downward so that with average yields the supply (new crop plus carry-over) would again be "normal." In years in which production was below average, the carry-over could be drawn upon and replaced the succeeding year by permitting an increase in plantings.

The first difficulty in carrying out such a program would be that of annually forecasting with a sufficient degree of accuracy, first, the optimum volume of corn

²⁶ "Inaugurated in the fall of 1933, government lending of farm-stored corn is now recognized as a valuable device in carrying surpluses from one year to another, provided it is coupled with sound production control. . . . In planning to make loans on farm-stored corn and by tying the loan program to production control, the government is, in effect, inaugurating the 'ever-normal granary' policy. If weather is nearly normal in 1935, plenty of corn for reserve supplies will be raised in this country. The 'ever-normal granary' plan would help materially in offsetting variations in yield per acre due to weather, officials believe. Whatever kind of adjustment program is in effect, there always remains the factor of weather which, in any given year, cannot be controlled. The weather factor tends to even up over a series of years and thus a sound farm-storage plan to hold over a part of the bumper crops from favorable years would assist in maintaining a fairly constant grain supply. With adequate reserves once established by means of an 'ever-normal granary' plan, subsequent plantings could be fitted largely to the current requirements estimated on effective demand outlook." *News Digest*, AAA, Feb. 2, 1935, Vol. 2, No. 2, p. 2.

consumption and, second, the price necessary to bring this about. Some account would have to be taken of, or some control exercised over, the production of substitute feeds, including hay and even food grains such as wheat and rye. Wide margins of error in the forecasts would be unavoidable.

Even if the forecasting problem could be solved, it seems quite impracticable to attempt any exact control of the annual supply. Assuming that it would be possible to control the number of acres planted to corn, an average carry-over of 500 million bushels of corn would be required and in individual years might involve carrying over 1 billion bushels.²⁷ The most that can be expected, therefore, is that the more extreme fluctuations in the annual supply could be removed.

To the extent that corn prices were stabilized, the annual value of the corn crop would be destabilized. This is a serious objection, even though most corn is not sold for cash but fed to livestock. In the marketing year following a large crop, producers would have the "normal" corn supply to feed and an additional cash income from borrowings on the stored corn and from benefit payments. In marketing years following short crops they would have to use the cash benefit payments to repay corn loans, or to accept payments in kind, in order to obtain even a "normal" supply of feed. The making of benefit payments in kind would be difficult and cumbersome to administer. The stored corn would be located largely in "surplus" producing areas, while the demand for payments in kind, if any choice in the matter were to be offered producers, would perhaps be largest in "deficit" areas.

Perhaps the most serious difficulty in carrying out

²⁷ This problem would arise when, in order to build up reserves following a short crop, acreage was expanded and yields happened to be considerably above average.

an "ever-normal granary" plan for corn would be encountered in setting loan values. Could the government set loan values high enough, but no higher than enough, to accomplish this objective? Though this difficulty is recognized by the AAA, its record to date as evidenced by the 1933-34 corn loan program, by the 10 and 12 cent cotton loan programs, and by the cattle purchase program, does not offer very convincing proof that the government can successfully resist political and group pressure. Admittedly, conditions were very "unusual" when these programs were initiated, but are not conditions always more or less "unusual"? The government could, of course, protect itself in the event that loan values had been set too high, resulting in an unnecessarily large carry-over in its hands, by requiring an additional cut in production the succeeding year. But the government would either have to maintain corn prices at this "artificial" level or incur a loss on the corn taken over from the borrowers. This loss would have to be financed by the Treasury, by additional processing taxes, or in some equally unpopular manner. Of these alternatives, an attempt to maintain prices at continuously higher and higher levels by repeated downward readjustments in production seems the most likely. The impossibility of continuing the process indefinitely is obvious, and the longer it was continued, the worse the debacle would be when it finally collapsed.

It may be that this is altogether too pessimistic a view to take. Certainly it is extremely hazardous to forecast the outcome of a proposal stated in as general terms as the "ever-normal granary" has been to date. It is entirely possible that a way will be found to overcome the objections to the plan that at this distance appear insurmountable.

CHAPTER XII

EARLY RESULTS OF THE AAA LIVESTOCK PROGRAM

The economic status of livestock producers improved greatly between 1932 and 1935. This much is incontrovertible. How much of this improvement was due to the activities of the AAA is less certain, however, since its activities were accompanied by a record-breaking drought and other non-AAA factors which greatly affected the situation.

Part of the gain in producers' incomes came through the advance in livestock prices brought about by the improvement in domestic demand. Consumers' incomes increased during the period, and this favorably affected the income from livestock. It is not enough, however, to allow for this influence and credit the remainder of the improvement to the AAA. Instead, it is necessary to make the most careful estimates possible of the changes in livestock production and prices that would have taken place, not only in the absence of a livestock program but also upon the assumption that no AAA activities (or other comprehensive "farm relief" measures) had been undertaken. The real measure of the achievement of the AAA is not in the changes in the economic status of livestock producers that took place between 1932 and 1935, but in the difference in that status in 1935 as compared to what it would otherwise have been.¹

¹ AAA publicity commonly fails to recognize this distinction. (See, for example, *AAA Press Release No. 2530-34*, May 13, 1934, with its headline "First Year under Adjustment Act Sees Farm Income Climb 39 per cent," and *AAA Press Release No. 1087-35*, Dec. 12, 1934, which concludes with the statement: "Consequently, the farm recovery of the last two years is the result mainly of domestic changes, in which the

The first step in an effort to evaluate the importance of the several factors that have affected livestock prices and the incomes of livestock producers is to set forth just what changes in prices and production have taken place in recent years. The next step will be to evaluate the influence of the adjustment efforts in 1933-34 and 1934-35 in bringing these changes about. The final step will be to measure the effect of these changes on producers' incomes.

THE HOG MARKET SITUATION SINCE 1932

Hog prices reached the lowest level in 50 years in the 1932-33 marketing year,² the farm price averaging \$3.36 per hundredweight. Since that time they have advanced more or less continuously, and at times rapidly, both in terms of actual prices and in their relation to "parity." These changes are shown by the following data (prices are in dollars per hundredweight).

| Year | Farm Price | "Parity" Price | Farm Price as a Percentage of "Parity" |
|-------------------|------------|-------------------|--|
| 1932-33 | \$3.36 | \$7.66 | 44 |
| 1933-34 | 3.73 | 8.74 | 43 |
| 1934-35 | 6.92 | 9.12 | 76 |

activities of the federal government have been the most important element.") It is, however, quite natural for any such agency to try to make the most favorable showing possible, and the releases of the AAA do not contain as much bias as might perhaps be expected. Farmers and the public generally also fall into the same error when making comparisons. They find it much easier to compare two knowns than one known and one unknown.

² Unless otherwise specified the hog marketing year refers to the period October 1-September 30. Most of the hogs produced in a calendar year are marketed during the last three months of that year and the first nine of the next. Note, however, that (1) the "official" marketing year as defined by the Secretary of Agriculture by authority of the Agricultural Adjustment Act begins November 5, and (2) that the "pig survey" year begins December 1.

Farm prices in 1934-35 were more than double those of 1932-33 and nearly double those of 1933-34. In 1934-35 hog prices were about three-quarters of "parity" as compared to less than one-half of it in the two preceding years.³

During the same three-year period unprecedented changes took place in hog supplies. These changes are roughly shown by the following data (in billions of pounds).

| Year | Federally Inspected Slaughter | Slaughter for Sale ⁴ | Total Slaughter Including Farm Slaughter ⁵ |
|----------------------|-------------------------------|---------------------------------|---|
| 1932-33 | 10.9 | 13.1 | 16.6 |
| 1933-34 | 9.9 ⁶ | 11.3 | 14.5 |
| 1934-35 ⁷ | 6.7 | 8.0 | 11.0 |

A reduction of one-third from the 1932-33 level of hog supplies took place in 1934-35, and a similar reduction in marketings seems to be in prospect for 1935-36.

³ Hog prices were actually slightly lower in terms of "parity" prices in 1933-34 than in 1932-33 because the index of the cost of commodities farmers buy advanced more rapidly between the two years than did hog prices.

Because the data are more adequate and accurate the analysis in the following pages will be based on the volume and cost (excluding processing taxes) to packers of hogs slaughtered under federal inspection. In 1932-33 the cost to packers was \$3.68 per hundredweight and in 1933-34, \$4.07; for 1934-35 it is estimated as \$7.70. The average annual farm price is usually about 94 per cent of the cost to packers.

⁴ Obtained by applying the ratio between estimated slaughter for sale (as given in *Farm Production and Income from Meat Animals 1930-34*, mimeographed release of the Bureau of Agricultural Economics) and federally inspected slaughter for the calendar year to federally inspected slaughter for the marketing year.

⁵ Calendar year total slaughter (see the same) adjusted to a marketing year basis in the same manner as slaughter for sale.

⁶ Including about 380 million pounds (live weight) of hogs slaughtered for relief distribution. See Chap. IV, especially note 17, p. 75.

⁷ Estimated on the basis of slaughter under federal inspection for the first nine months.

It was through reductions in supply that the AAA expected to obtain an increase in hog prices. But the problem is to decide (1) how much of the reductions that occurred was due to the activities of the Adjustment Administration and (2) what effect these reductions had on hog prices. Before making these decisions it will be necessary to consider the influence of several other factors that may have affected hog prices from 1933 to 1935. It is impossible to do this in any exact statistical manner, for some of these factors are not susceptible of statistical measurement. What weight should be given, for example, to the effect of the whole Roosevelt recovery program? Did NRA retard recovery or promote it? What importance, if any, should be attached to the devaluation of the dollar? It is possible to go even further afield but a line has to be drawn somewhere.

Direct monetary influences may be dismissed at once as of negligible importance in the increase of hog prices. The export market was only a small factor in determining the price of hogs during this period. Whatever stimulative effect dollar devaluation, gold buying, or other monetary influences may have had on commodities that bulk large in international trade and thus in turn on the general price level, they were responsible for little if any of the advance in hog prices, which remained at or near their low level of 1932 throughout the period during which the price level was advancing most rapidly. Ample allowance is made for this factor through the consideration given to changes in consumers' incomes.

Improvement in domestic demand was responsible for part, but not for nearly all, of the increases in hog prices in 1934-35 as compared to 1932-33. In the absence of other factors, hog prices would have been nearly \$1.00 a hundredweight higher in 1933-34 and perhaps an

additional 50 cents higher in 1934-35 solely due to changes in consumers' incomes.⁹ In Chapter I it was pointed out that from 1921 to 1933 the total amount expended by consumers for any given supply of pork products tended to vary directly with their incomes, so that the price per unit at retail also tended to vary directly with income. Since the unit cost of slaughtering and distributing a given supply tended to remain the same, the unit price of hogs increased more rapidly than the increase in consumers' incomes—indeed nearly twice as rapidly. The relation between changes in hog prices and changes in the index of consumers' incomes is shown in Section II of the chart on page 250.

The post-war relationship between *retail* prices and consumers' incomes apparently continued through 1933-34, for the retail value of the hog products consumed bore its usual relation to consumers' income. There is,

⁹ Throughout this chapter an index of national income will be used as the measure of changes in domestic demand. The indexes for the years prior to 1934 are shown in "The Direct Marketing of Hogs," *Miscellaneous Publication No. 222*, U. S. Department of Agriculture, p. 218 (1934); and are based upon figures of realized income from the production of goods and services in M. Leven, H. G. Moulton, and C. Warburton, *America's Capacity to Consume*, 1934, p. 152. A comparable index for 1934 and a preliminary estimate for 1935 were supplied by the Agricultural Adjustment Administration. These indexes, which are for calendar years, have been adjusted to a marketing year basis by weighting the index for the calendar year which contains the first three months of the marketing year by three, and the index for the calendar year which contains the last nine months of the marketing year by nine.

It will be assumed throughout that domestic demand would have changed virtually in the manner that it did even if no AAA program had been undertaken. This assumption will be questioned by those who contend that the AAA was an important factor in general economic recovery. The final volume in this series, which will appraise the Adjustment Act as a whole, will give consideration to its effect upon general recovery. Much can be said for omitting this subject from the present volume, in which the analysis is already sufficiently complex. Those who believe that the matter is important can modify the conclusions to be found in this chapter accordingly.

however, considerable doubt that it continued through 1934-35, for the retail value of pork consumption was less than would be expected in view of the improvement in domestic demand. The amount of pork available for consumption was unprecedentedly low.⁹ Per capita consumption of pork in 1934-35 was the lowest for any year for which records are available, and probably the lowest in the history of the country. It seems quite probable that, when such a large decline in supply takes place, consumers no longer continue to pay the same total amount for a very small supply as they would for moderate to large supplies. Instead, they shift to other meats; or if the supply of these is also small, to other foods entirely. Additional evidence in support or disproof of a more positive statement of this reasoning should be available by the end of 1936, since supplies of pork in 1935-36 promise to be no larger than, if as large as, those in 1934-35.¹⁰

EFFECT OF THE PROCESSING TAX ON MARKET PRICES

The discussion now turns briefly to one of the most controversial matters in the whole AAA program—the processing tax on hogs. It has been contended by some

⁹ Since changes in net exports and carry-overs were small relative to the total supply, the decline in consumption between 1932-33 and 1934-35 was roughly equivalent to the decline in production. See the table on p. 239.

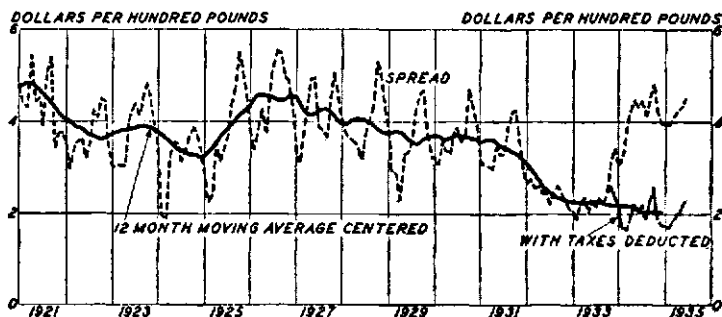
The hog supply-price curve is obtained from data covering a period when the supplies of other livestock products were also fluctuating. The supply-price curve for all livestock products is probably somewhat more inelastic than the one for any individual livestock product. Consequently, consumers might actually pay more for a small supply of pork than for a large supply if the volume of other livestock products was correspondingly reduced.

¹⁰ It is sometimes argued that consumers tended to refrain from buying pork in 1934-35 because of their objections to the hog processing tax. There is little evidence that this was an important factor. A processing tax was collected during most of 1933-34 with no measurable effect of this kind on retail prices.

that it is "passed on to consumers" and by others that it is "passed back to producers." The matter is of interest at this stage in the analysis of the results of the AAA livestock program because the unit costs of distribution, as measured by the "spread" between live hog prices and product prices at wholesale, doubled between 1932-33 and 1934-35. Since changes in unit costs were a factor that altered livestock prices between 1910-14 and 1928-32,¹¹ it is essential to evaluate the influence of similar changes since 1932, no matter what the cause.

The spread between the price of 100 pounds of live hogs at Chicago and the value of all the product therefrom is shown for recent years by the upper line in the accompanying chart. It declined slowly from early in

MONTHLY SPREAD BETWEEN THE PRICE OF A HUNDRED-
WEIGHT OF LIVE HOGS AND THE VALUE OF ITS
PRODUCTS^a



^a Bureau of Agricultural Economics.

1926 to 1931, then dropped sharply from the fall of 1931 to the fall of 1933, with none of the usual seasonal increase in margin in the fall of 1932. This decline represents, in major part, the lagging adjustment of the

¹¹ See pp. 18-19.

"costs" of distribution to the decline in prices associated with the depression.

Before the advent of the AAA, spreads tended to decline for some months prior to, and during the early part of, a period of sharply rising prices. Thus in 1924-25 the hog supply declined 15 per cent and prices rose 50 per cent. For a year from the spring of 1924 to the spring of 1925 spreads were about a dollar below "normal." This grows directly out of the effect of rising product prices on the value of storage stocks. Pork products are commonly considered perishable but they are not completely so. Stocks in the process of cure and in storage may be built up or reduced. When packers foresee an advancing market they can build up stocks by advancing prices slightly to consumers.¹² This in itself makes for larger "profits" on the storage stocks they do sell. At the same time, packers tend to bid up the price of hogs even more than they raise the price of products, because they expect to sell the product from these hogs at still higher prices. Packers thus tend to anticipate the effect of a decline in hog supplies upon hog prices, and while they are doing so the current spread between hog prices and product value is low. Conversely, when an increase in supply is looked for, the spread tends to be wider than the average.

By the early fall of 1933 packers' operating costs had begun to increase because labor and supply costs were increasing; but at the same time packers could foresee with considerable certainty a sharp drop in hog supplies beginning in the fall of 1934, as well as some further

¹² The raising of prices to producers is not apt to increase supplies (except for a very few days) because it makes hog feeding appear more profitable to producers and thus tends to reduce marketings while producers feed to heavier weights. Later, as a result of the increase in average weights, the tonnage does increase.

improvement in domestic demand. It is important to realize that a considerable reduction in hog production in 1933-34 was in prospect even if no AAA program had been undertaken¹³ and that packers were able to foresee it. At this point steps were taken to reduce market supplies in 1933-34, and about the same time a processing tax was levied on hogs at a rate which was increased until it reached \$2.25 per hundredweight on March 1, 1934. The effect of the processing tax *by itself* will first be considered.

With a fixed domestic supply of a perishable product which is not on an "effective" export basis, the result when a processing tax is levied on domestic consumption is the *immediate* lowering of prices to producers by the amount of the tax. This lowering of producers' prices will tend to discourage production so that during the next marketing period a smaller supply of the product will come to market, consumers will pay more for this smaller supply, and prices to producers will be higher than in the preceding marketing period. After enough time has elapsed to complete the adjustment, prices to consumers will be somewhat higher, those to producers somewhat lower, and supplies somewhat lower. The amount of change in each item will depend upon the reactions of consumers to the prices they pay and of producers to the prices they receive.¹⁴

With a non-perishable product the *ultimate* effect will be the same but the *immediate* effect will probably be different. Holders and speculators will immediately appreciate the effect that the lowering of prices to producers will ultimately have on supply, and will tend to hold on

¹³ For the basis of this statement, see pp. 247-54.

¹⁴ In other words, on the elasticity of the demand for and the supply of the product.

to the existing supply in order to obtain the gains expected in the future. Competition for the existing supply will thus cause some immediate increase in prices to producers. If the consumers' demand is very inelastic, that is, if only a small decrease in supply will cause a large increase in prices paid by consumers, these prices will almost immediately advance by an amount equal to or even larger than the tax.

Hog products are not on an "effective" export basis. Exports constitute only a small proportion of production; and tariffs, import quotas, and absolute prohibitions at present preclude any possibility of materially increasing American exports of hog products, almost regardless of prices at home and abroad.

Pork products tend to be perishable—at least relative to the length of time it takes for a decline in the profitability of hog production to affect market supplies materially.¹⁵ Consequently the short-time effect of the imposition of the processing tax on hogs is to reduce prices to producers by about the amount of the tax and, with the exceptions noted in the next paragraph, to increase spreads correspondingly. However, even with a product as perishable as pork, the attitude of packers may have some offsetting influence on live hog prices right from the first. If packers felt that the imposition of the tax itself was soon going to have an appreciable influence on hog supplies, through influencing average weights, for example, hog prices might not decline by the full amount of the tax. There is some reason for believing that this was a factor (although a minor one) in the situation in 1933-34, as will appear shortly.

Before turning to the effect that the processing tax had

¹⁵ See the following section for a consideration of the influence of the processing tax alone on hog supplies.

on supplies, either directly or through being used to pay for control of production, two more points need to be made with respect to spreads. (1) If the entire amount of the processing tax is deducted from the total spread in 1933-34 and 1934-35 the remainder, presumably comparable to the gross spread prior to the imposition of the processing tax, is shown to have declined almost continuously, though somewhat slowly, even from the unusually low level of 1932-33. (See the lower line on the chart on page 243.) It is difficult to account for this solely on the basis of the decline in supplies and the consequent rise in prices that could be expected if no AAA program of any kind had been initiated. (2) There seems to be considerable reason for believing that throughout both years there was some small "absorption" of processing taxes by the packing industry. This would further help to account for the low spreads of 1933-34 and 1934-35. Both of these points are considered further in a later section of this chapter (pages 270-73).

ADJUSTMENT RESULTS IN 1933-34

So far it has been reasoned: (1) that "general price level" influences had little effect on hog prices between 1932-33 and 1934-35; (2) that the increase in consumers' incomes would, in any case, have resulted in a rise of a dollar a hundredweight in hog prices in 1933-34 and an additional 50 cents a hundredweight in 1934-35; and (3) that the processing tax on hogs by itself tended to lower hogs prices by something less than the full rate of tax, which was about \$1.60 a hundredweight in 1933-34 and \$2.25 in 1934-35. There remain to be considered the effects of changes in supply on market prices and the importance of the AAA in determining that supply.

The slaughter of hogs under federal inspection for commercial sale in 1933-34 was about 9.5 billion pounds.¹⁶ It seems certain that the emergency measures—the hog marketing campaign and relief purchases—were responsible for a gross reduction in the commercial supply of hogs in 1933-34 of about 1.4 billion pounds (see Chapter IV). The net reduction for the year was, however, further influenced by two other AAA factors, the processing tax on hogs and the 1933-34 corn loan, both of which were initiated in November 1933.

During the winter of 1933-34 the hog processing tax with its periodic increases in rate tended to lower the market price of hogs while the corn loan tended to raise corn prices. The result was that it was more unprofitable than ever to feed hogs. This tended to increase marketings temporarily but shortly to decrease tonnage because hogs were being marketed at lighter weights. By the late winter or early spring the reduction in tonnage due to the emergency programs had caused enough increase in market prices to offset the effect of the tax, so that the balance started to swing in favor of feeding to heavier weights. By the middle of 1934, however, corn prices had risen greatly owing to the influence of the 1934 drought. Since hog prices from early spring onward were slightly higher than they would have been in the complete absence of any AAA program, and since the corn loan and pig buying made more corn available in the summer of 1934 than would otherwise have been the case, the corn-hog ratio from early summer to the end of the 1933-34 marketing year was less unfavorable than

¹⁶ Total federally inspected hog slaughter was nearly 9.9 billion pounds (see p. 239), but nearly 400 million pounds live weight slaughtered on government account for relief distribution has to be deducted (see Chap. IV).

it would have been if the AAA had not been in existence. But the profitableness or unprofitableness of feeding corn to hogs was probably not as important a factor as usual in the summer of 1934. Producers were forced to act by the absolute lack of feed as well as by the unfavorable feeding ratio. For the marketing year as a whole, though, average weights might have been slightly heavier with no AAA program than they actually were, and slaughter under federal inspection might easily have been as much as 11 billion pounds.¹⁷

Under the conditions of domestic and foreign demand existing in 1933-34 a hog supply of 11 billion pounds would have sold for not more than \$3.75 a hundred-weight. (See the chart on page 250.)¹⁸ Thus the net

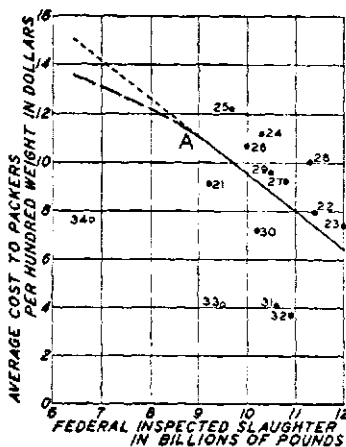
¹⁷ Changes in the corn-hog ratio affect hog supplies in two ways. The first and immediate effect is on average weights. The second is on farrowings, and this influences the number of head marketed for two succeeding marketing years. Thus the imposition of a tax on hog slaughter by itself tends to reduce tonnage the first year and numbers the second and third years. The reduction in tonnage would cause increases in prices which, in turn, would tend to stimulate hog production. If no concomitant control over supplies were exercised through the use of the tax to pay for such control (or by other means) the distribution of the "burden" on producers and consumers would depend on the relative elasticity of the demand for pork products and the supply of hogs. In fact, of course, the proceeds of the tax are used to control numbers so that the elasticity of supply, except as it acts through average weights and through non-signers, has no significance unless the reduction asked for is less than the "normal" response of producers to the change in the situation resulting from the imposition of the tax. The average weight at which hogs will be marketed will depend on whether the price-depressing effect of the tax is greater or less than the price-raising effect of the reduction in supply. Thus from the point of view of producers' the program would most effectively increase their income (sales plus benefit payments) if the tax were sufficiently high to more than offset the increase in market prices due to the reduction in supply, thereby discouraging all producers from defeating in part the intent of the program by feeding to heavier weights than they otherwise would and discouraging non-participants from increasing numbers. See, however, pp. 278, 293-94.

¹⁸ Since packers could have foreseen a reduction in supply in 1934-35 even with no AAA intervention, they might have tended to bid up the

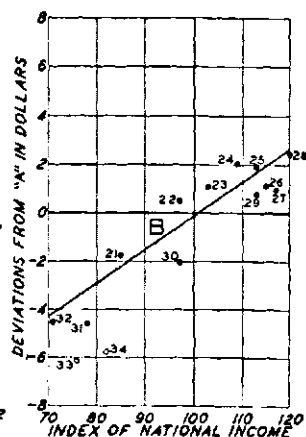
effect of the AAA program on *market* prices in 1933-34 was to increase them slightly over what they would otherwise have been.

MAJOR FACTORS DETERMINING HOG PRICES, 1921-32*

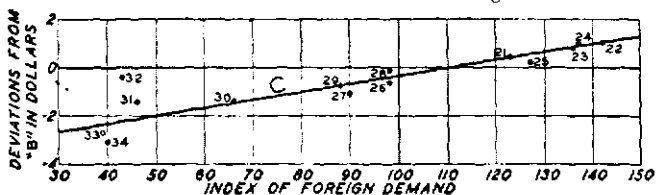
I. Average Relation of Price to Supply



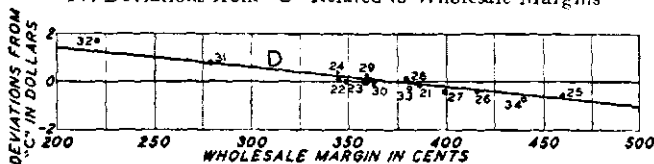
II. Deviations from "A" Related to Income



III. Deviations from "B" Related to Foreign Demand



IV. Deviations from "C" Related to Wholesale Margins



* For source of data see Table 7, p. 378.

Actual hog slaughter under federal inspection in 1934-35 has been estimated (page 239) at 6.7 billion pounds. What would such slaughter have been in the absence of the AAA? It seems extremely doubtful if federally inspected slaughter in 1934-35 would have been as high as 7.5 billion pounds in the complete absence of any AAA program.

Most of the hogs slaughtered in 1934-35 were farrowed in 1934. The 1934 *spring* pig crop was 27 per cent below that of the previous year.¹⁹ It was farrowed during the year that farmers representing about 75 per cent of the United States hog production had agreed to reduce the number of hogs produced for market by 25 per cent. It was farrowed during a period when hog prices were being affected by the emergency measures and by the processing tax. It was farrowed when corn prices were being "pegged" by the 1933-34 corn loan. In spite of these facts less than half this reduction can be credited to the AAA.²⁰

For a year and a half prior to the spring of 1935 the corn-hog ratio had been extremely unfavorable to hog production (about 8.5 in the Corn Belt). Moreover the

price of hogs to a point slightly higher than the level indicated by the average relationship between supply and price shown on the chart.

¹⁹ Judging by the Dec. 1, 1934 pig survey report. (See *Market Review and Statistical Summary of Livestock, Meats and Wool*, U. S. Department of Agriculture, July 3, 1935, Vol. 3, No. 27, pp. 519-20.) In this report the "spring" season runs from December 1 to June 1, the "fall" season from June 1 to December 1.

²⁰ As soon as the June 1, 1934 crop report was released the AAA hastened to take credit for most of the reduction in spring farrowings and those in prospect for the fall. ". . . the reduction called for under the corn-hog contract is the major factor in the current adjustment." (*AAA Press Release No. 7-35*, July 2, 1934, p. 2.) Eight months later the reduction was laid to the drought. "In the case of hogs the adjustment and corn loan programs had the effect of bringing about a more orderly reduction of slaughter than would in any case have resulted from the drought." *AAA Press Release No. 1591-35*, Feb. 16, 1935, p. 1.

ratio might have been a little lower during the period if no activities with respect to corn and hogs had been undertaken. If farmers had reacted as in the past (and in the absence of the AAA there is no reason for believing that they would not) this would have meant at least a 15 per cent decrease in the number of pigs saved in the spring of 1934.

Other evidence supports this view. Non-signers who answered the June 1, 1934 pig survey questionnaire reported that they were reducing their hog production as much as the signers who answered this questionnaire. Farmers in states in which the sign-up was low reduced their production not only as much as, but more, than farmers in states where the sign-up was high. In states in which the 1933 drought was severe and 1934 prospects poor, farmers reported only from one-half to two-thirds as many pigs saved as in the preceding year.²¹ The 1934 corn-hog contract could hardly have been responsible for much of these large reductions.

The 1934 drought, and resulting high prices and scarcity of feed, must be held entirely responsible for the 48 per cent decrease from the previous year in the number of pigs saved in the *fall* of 1934. The corn-hog ratio continued to be highly unfavorable to hog production, and it might have been even a little more unfavorable in the absence of the AAA.²² Perhaps a few producers in areas where the corn crop was good might have raised more hogs than they actually did, but the effect on total supplies would have been negligible. In the drought areas, of course, it was not the unfavorable ratio

²¹ South Dakota reported a percentage decrease of 47, Oklahoma 45, Kansas and North Dakota 37, and Texas 35.

²² Indeed, if the AAA is correct in its estimates of the feed "saved" and the additional feed produced, the corn-hog ratio might have been considerably more unfavorable if there had been no program.

but the absolute lack of feed that caused the fall pig crop to be so small.

The total number of pigs saved throughout 1934 was 35 per cent less than in 1933. Since at least one-half of the reduction in the number of pigs saved in the spring of 1934 and all the reduction in the fall of 1934 would have taken place anyway, the net reduction for the year attributable to the AAA cannot be more than 10 per cent and was probably nearer to 5 per cent.

Slaughter under federal inspection in 1934-35 will not be down as much from the previous year as the decrease in the number of pigs saved would indicate. It may equal 30 million head, a decline of 32 per cent. Presumably if there had been no AAA program slaughter would still not have declined as much as the number of pigs saved, so it *might* have been as much as 34 million head.

The next question to answer is what the average weight of these 34 million hogs would have been. Perhaps it would have been not far from the average weight that actually appears in prospect, 220 pounds.²³ The corn-hog ratio would have been somewhat more favorable to feeding since the processing tax lowered market prices in 1934-35 somewhat more than the additional cut in production attributable to the AAA raised it (see page 254) and since there might have been a small additional quantity of corn available. But it is doubtful if this supply of feed could have been stretched far enough to cause the average weight of 34 million head to be

²³ One surprising feature of the situation in the summer of 1935 was the unexpectedly heavy weights of the hogs marketed. Probably there was more old corn in the country than was thought. Also farmers, when forced to, can make much more efficient use of the feed available than they are accustomed to. An additional factor was that, with the exception of March, the winter of 1934-35 was unusually mild.

higher than it actually was on 30 million head. Federally inspected slaughter might thus have equalled 7.5 billion pounds.

The final question to decide is what the production would have been worth. Assuming (1) that with a slightly larger supply the supply-price relationship would have tended toward that existing from 1921 to 1933, and (2) that packers' spreads would have been lower than "normal" though slightly higher than the actual spread less the processing tax, "cost to packers" would have been not less than \$8.75, and might have been as high as \$9.00. (See the chart on page 250.) The price would thus have been higher without the AAA program than with it. This would have been because the processing taxes tended to lower the actual prices received by an amount not much less than the tax, while the net reduction in supply due to the AAA increased prices only a little. Thus *market* prices were somewhat higher in 1933-34 (perhaps 50 cents), and somewhat lower in 1934-35 (perhaps \$1.25) than they would have been in the absence of the agricultural adjustment program.

Changes in market prices, however, are not necessarily an indication of change in the economic status of hog producers. It is essential to consider at the same time the volume of sales, producers' costs, and, under the AAA procedure, benefit payments.

INCOME FROM HOG PRODUCTION

The concluding steps in an appraisal of the effect of the AAA on the economic status of hog producers involve an analysis of its influence on the changes in the gross income from hog production and an estimate of what this income would have been in the absence of the AAA. In all three years the income actually received came from

two sources: sales of hogs and benefit payments. The market value of the hogs sold for slaughter under federal inspection, the benefit payments received, and the total for the two are shown in the accompanying table (in millions of dollars).

| Year | Market Value | Benefit Payments | Total |
|---------|-------------------|-------------------|-------|
| 1932-33 | 402 | 28 ²⁴ | 430 |
| 1933-34 | 401 | 60 ²⁵ | 461 |
| 1934-35 | 511 ²⁶ | 140 ²⁷ | 651 |

The market values of the hogs slaughtered under federal inspection in 1932-33 and 1933-34 were almost identical, while in 1934-35 the value was more than 25 per cent higher than it was in either of the two preceding years. Income from sales plus benefit payments was 50 per cent larger in 1934-35 than in 1932-33.²⁸ The next problem to be determined is what the annual income of hog producers would have been in the absence of the AAA.

The *market value* of the hogs sold in 1933-34 was slightly less than if no AAA program had been undertaken. This was because the increase in market prices did not offset the reduction in tonnage sold. Packers paid just

²⁴ Represents the amount paid for the pigs and the premium on the sows bought during the emergency hog marketing campaign.

²⁵ Represents benefit payments on the 1934 contract received before Oct. 1, 1934.

²⁶ Estimated for the last three months of the marketing year.

²⁷ Represents balance of payments due under the 1934 contract but does not include any payments made under the 1935 contract. See p. 258.

²⁸ The market value of federally inspected slaughter is somewhat less than the cash income received by farmers from the sale of hogs and hog products. Total cash income from all sales plus benefit payments is estimated at 485 million dollars in 1932-33; 512 million in 1933-34; and 725 million in 1934-35. (Calendar year cash income as shown in *Farm Production and Income from Meat Animals 1930-34*, adjusted to a marketing year basis.)

over 400 million dollars for the hogs actually slaughtered under federal inspection (9.9 billion pounds). They might have paid \$3.75 a hundredweight (see page 249) or about 410 million dollars for 11 billion pounds if this much had come to market.

Four other elements remain to be considered in order to obtain a comprehensive picture of the actual results in 1933-34:

1. Net collections from processing and related taxes on hogs aggregated 123 million dollars during the year. Nearly 32 million of this amount had to be repaid to the Treasury for advances made during the emergency hog marketing campaign and 11 million was used in purchasing products for relief,²⁹ but the remaining 80 million was later turned over to producers in rental and benefit payments. Producers were indeed paid about 60 million dollars in hog benefit payments by September 30, 1934, and so their cash income in 1933-34 from sales for slaughter under federal inspection and from benefit payments was 460 million dollars or 50 million more than it otherwise would have been.

2. The total "production cost" of the 9.9 billion pounds of hogs actually marketed was less than the total "production cost" of the 11 billion pounds would have been. Probably the total "cost" of raising even the 9.9 billion pounds was more than the 461 million dollars received from sales and benefit payments, but the "loss" must have been materially less than it would have been if 11 billion pounds had been raised.³⁰

²⁹ The effect of the latter has already been allowed for by using 9.9 billion pounds rather than 9.5 million pounds in determining producers' income in 1933-34.

³⁰ Farm account records for 1934 bear out this statement. Those for Iowa, for example, show the largest "management return" since 1930.

3. The 1.5 billion pound reduction in commercial supplies in 1933-34 greatly facilitated the collection of a processing tax on hogs. If a tax averaging \$1.60 per hundredweight for the year had been levied, and no reduction made in supplies, market prices in 1933-34 might have averaged less than \$2.50. Probably too, though this was entirely fortuitous, the reductions brought about by the emergency pig marketing campaign and the 1934 corn-hog program resulted in somewhat less liquidation of "half-fat" hogs and breeding stock when the 1934 drought became serious.

4. Producers got what was in effect an "advance payment" in 1932-33 during the emergency hog marketing campaign. The cost of this campaign was met out of taxes collected in 1933-34, and the pigs purchased would otherwise have come to market in 1933-34. The 24 million dollars which farmers received at the time can thus be considered 1933-34 income received in 1932-33.³¹

In 1934-35, producers received 511 million dollars from hog sales and 140 million in benefit payments under the 1934 contract—a total of 651 million dollars. If no AAA program had been undertaken they would apparently have received about 666 million dollars.³² This somewhat unexpected result grows out of the fact that there is a definite limit to the increases in gross

In 1932 the management loss was as large as the management gain in 1934.

³¹ One aspect of the emergency hog marketing campaign bears some resemblance to the drought cattle purchases of 1934. Many pigs which otherwise might have died were purchased in 1933 drought areas. Certainly producers in these areas who sold them were in better financial condition to weather both the 1933 and 1934 droughts and were consequently somewhat less of a relief burden than they otherwise would have been.

³² Estimated non-AAA marketings of 7.5 billion pounds (see pp. 253-54) multiplied by an estimated non-AAA price of \$8.87 (see p. 254).

income that can be obtained by reducing supplies. Beyond that point any further reduction in production results in a decrease in gross value rather than in an increase. This point was reached and passed in 1934-35. At the 1934-35 level of consumers' income the maximum gross income would have been obtained from a hog crop of about 7.6 billion pounds.³³ The tendency for the gross value of hog production to decrease when supplies are reduced beyond a point determined by the level of consumers' income is accentuated when large reductions in supply are made, because then the *retail* value of domestic consumption of hog products at a given level of consumers' income tends also to decline.³⁴

It would be instructive, if it were possible, to round this analysis off with the results obtained in the 1935-36 marketing year, as this is when the hog crop affected by the 1935 corn-hog program will be marketed. This would involve so many assumptions, both with respect to actual production and prices and with respect to production and prices in the absence of the AAA, that the results would be of little value. The next best thing, therefore, is to strike a balance as of the end of the 1934-35 marketing year, neglecting any benefit payments made in it under the 1935 program. The actual income for the three years ending 1934-35 and the estimated income for the same three years in the absence of the AAA program are as follows (in millions of dollars).

³³ Even if the relation between supply and prices as shown in the chart on p. 250 had continued in a straight line (as indicated by the dotted line) as supply decreased instead of tending to flatten out (as tentatively indicated by the broken line), a supply of 7.3 billion pounds would have had the maximum gross value.

³⁴ The importance of changes in consumers' income on hog prices and the income from hogs is considered further on pp. 294-98.

| Year | Sales Receipts | Benefit Pay- ment Receipts | Total | Estimated Receipts without AAA |
|-------------------|-------------------|-------------------------------|-------|---|
| 1932-33 | 402 | 25 | 427 | 400 |
| 1933-34 | 401 | 60 | 461 | 412 |
| 1934-35 | 511 | 140 | 651 | 666 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 1,279 | 225 | 1,539 | 1,478 |

The analysis thus far indicates that hog producers' income was increased by about 60 million dollars or by just over 4 per cent for the three years 1932-33, 1933-34, 1934-35, over what it would have been if no AAA program had been undertaken. But this does not tell the whole story. (1) Very considerable savings in production costs were realized. (2) Producers as corn growers received during the same period 110 million dollars in corn rental payments. Of this total 37 million came from the Bankhead fund, 12 million from processing taxes on corn, 15 million from the "deficit" expected on November 5, 1935, and 46 million from processing taxes on hogs. With this 46 million paid on corn but collected on hogs added to the 61 million dollar gain received by farmers as hog producers, the gross income from hog production was over 7 per cent larger than it would have been in the absence of the AAA. (3) Hog producers obtained less tangible though none the less real gains, in part from the corn-hog program, in part from AAA activities as a whole, and in part from other activities of the Roosevelt Administration such as the farm mortgage refinancing of the Farm Credit Administration. It is difficult to measure the overall effects of these several activities and almost impossible to separate

out the contribution thereto of the corn-hog program, but it is significant that farm land values, which had been declining continuously from 1920 to 1933, advanced 4 per cent in 1934 and an additional 4 per cent in ~~1933~~¹⁹³⁵. The greatest percentage increases occurred in the Southern states but the increase in the Corn Belt was equal to the average for the United States.

EFFECTS ON CORN PRICES

The analyses of the actual influence of the AAA program on corn production and prices in 1934 and early 1935 is less complex than that for hogs since the dominant factor was the 1934 drought, but the difficulties in the way of deciding the effects of the corn program on producers' incomes are almost insurmountable. The average farm price and farm value of the 1932, 1933, and 1934 corn crops are shown below.

| Year | Farm Price (In cents per bushel) | Farm Value (In millions of dollars) |
|------------|--|---|
| 1932 | 29 | 925 |
| 1933 | 36 | 945 |
| 1934 | 79 ³⁵ | 1,086 |

The December 1934 farm price of corn was nearly three times as high as the average price of the 1932 crop and more than twice as high as that of 1933. The price of the 1932 crop was less than one-half of "parity"; the December 1, 1934 farm price was practically at its "fair exchange value." This had come about primarily because the 1934 corn crop was the smallest since 1894. The harvested acreage of corn and corn production for 1932, 1933, and 1934 are shown in the accompanying table (in millions).

³⁵ Dec. 1, 1934 farm price.

| Year | Acres Harvested | Bushels Produced |
|------------|--------------------|---------------------|
| 1932 | 108.7 | 2,907 |
| 1933 | 103.3 | 2,352 |
| 1934 | 87.5 | 1,381 |

Several factors besides the AAA program influenced the acreage of corn harvested in 1934. Extensive abandonment of corn occurred. Fields planted in the spring included nearly 8 million more acres than were harvested in the fall.⁶⁶ The problem, then, is to decide what the planted acreage in 1934 would have been in the absence of the AAA program. It seems probable that it would have been less than the 106 million acres planted in 1933. Acreage had increased sharply in 1931 and 1932 because the downward "trend" in corn acreage in the southeastern Corn Belt was temporarily halted while expansion in the northwestern Corn Belt continued. There was, moreover, a sharp increase in corn acreage in the Cotton Belt. These changes probably reflected the fact that the prices of the livestock to which the corn was fed were relatively higher than the prices of such cash crops as wheat and cotton. By 1934 wheat and cotton prices were high relative to livestock prices and producers were planning in any event to reduce hog production.

Another factor tending to limit plantings in 1934 was the continuation of the 1933 drought through seeding time in the northwestern part of the Corn Belt. Farmers in states where the drought was serious in 1933 and grew steadily worse in 1934 must have felt that it was useless to plant corn as long as the weather remained

⁶⁶ Planted acreage of corn for 1933 and 1934 as shown in *Crops and Markets*, March 1935, Vol. 12, No. 3, p. 74. Corn abandonment in 1933 is estimated at 2.7 million acres.

dry. Corn acreage in the South in the absence of the AAA corn and cotton programs would have been no greater and perhaps slightly less than in 1933.³⁷ In the absence of the AAA, 103 million acres might have been planted to corn in 1934. Actually, 95.3 million acres were planted, a decrease of 7.7 million acres or 7.5 per cent.

Corn production in 1934 was not reduced by the AAA as much as corn acreage because most of the reduction due to the corn-hog program took place in the Corn Belt, where yields were most affected by the drought.³⁸ Moreover, yields were equal to or above average in the cotton states east of the Mississippi and acreage in these states was larger than it would have been in the absence of the AAA cotton program. Corn production was thus reduced perhaps 6 per cent, or 90 million bushels, in 1934 by the AAA program.³⁹

The price of corn in 1934-35 (the 1934 crop) tended to be a little higher than it would otherwise have been because of this 90 million bushel reduction in supply, but

³⁷ Corn acreage in the South tends to increase when cotton acreage decreases and to decrease when cotton acreage increases. The cotton acreage in 1934 would probably have been at least as large as in 1933 if no cotton program had been in effect. See Henry I. Richards, *Cotton and the AAA*, Chap. XI.

³⁸ The average yield on the 18 million acres harvested in South Dakota, Nebraska, Kansas, and Missouri was under four bushels per acre.

³⁹ No allowance has been made for the influence of the AAA activities with respect to livestock, or for the influence of the 1933-34 corn loan. The livestock program had been operating only a few months when farmers had to decide on the acreages they planted to corn. During this period the gross income from hogs was a little less than it would otherwise have been (see p. 248) while the net income was perhaps a little larger. It is doubtful if this appreciably affected corn plantings either one way or the other. The influence of the corn loan on 1934 plantings also appears to have been unimportant, probably because the borrowers were required by their corn-hog contracts to decrease their corn acreage. By itself a corn loan at a rate above the market price would tend to stimulate corn production.

this influence was offset in large part by (1) other activities of the AAA which resulted in an increase in the total supply of feed available and (2) the reduction in demand that grew out of the AAA programs for reducing livestock supplies.

The 5-cent processing tax on corn had no appreciable effect on corn prices. It was absorbed by corn processors or passed on to consumers. This, in the nature of the case, would be expected. Corn prices are determined largely by the supply of corn and the demand by those who feed it. A 25 per cent drop in commercial use would increase the supply available for feeding by less than 1 per cent. In fact, the industrial use of corn was not only maintained but increased in spite of both the tax and the much more significant increase in corn prices.

There is no satisfactory way of determining the net effect of the reduction in corn production resulting from the AAA program in 1934 on producers' incomes. The 90 million bushels not raised in 1934 would have been worth 72 million dollars at December 1, 1934 farm prices. But most of this corn would have been fed to livestock, and farmers as a whole would have had to consider the return they obtained from the livestock or livestock products sold rather than the value of the corn. It is perhaps to be doubted if the 90 million bushels of corn would have been worth anywhere near 72 million dollars in returns from livestock. Cattle feeders, because of the rapid increases in cattle prices in the winter of 1934-35, "made money" feeding 80 and 90 cent corn, but the returns from other livestock and livestock products were not so satisfactory.

As an offset against whatever "loss" was incurred by reason of not having 90 million bushels of corn to sell, either for cash or through livestock, contract signers re-

ceived 110 million dollars in benefit payments. Nearly 46 million dollars of this has already been credited to hogs since it was derived from hog processing taxes. Of the remaining 64 million, 37 million came from the Treasury via the Bankhead fund, and 12 million from the corn processing taxes; the remainder, comprising the deficit expected at the end of the 1934-35 marketing year, will eventually have to be obtained from the Treasury or from processing taxes. If it is assumed that the corn program by itself had no measurable effect on the gross income from livestock because of the overwhelming importance of the drought and of the cattle and hog programs, and no effect on the cash income from sales of corn for industrial uses because market prices were much the same as they would have been with no AAA program of any kind, then the gross income of all producers was increased by 64 million dollars (the corn rental payments minus the 46 million dollars already credited to hogs).⁴⁰

EFFECTS ON INDIVIDUAL PRODUCERS

The 170 million dollar increase in income obtained by corn-hog producers as a group as a result of the emergency hog marketing campaign, relief purchases of hogs, and the 1934 corn-hog reduction program was not uniformly distributed among individual producers. It is ob-

⁴⁰ It may be argued with some reason, especially if it is assumed that because of the severity of the drought the federal government would even in the absence of the AAA have undertaken just as comprehensive measures to conserve feed supplies and reduce livestock numbers, that producers as a group would have had larger incomes if no corn reduction program had been undertaken; because then, for example, hogs could have been fed to heavier weights, and as has been indicated above (p. 257) the gross value of the hog crop would have been larger than it actually was. But it is doubtful if the increase in income of this and similar kinds would have been equal to the 64 million net that producers receive in corn rental payments.

vious, of course, that producers in the drought areas benefited greatly because of what the AAA refers to as the "insurance features" of the corn-hog program. Since the decline in hog production would have been large if there had been no AAA program in 1934, this means that producers in non-drought areas received a somewhat smaller income from hogs than they would otherwise have obtained. This may not be undesirable if individual producer "risks" are the same or if the "premiums" paid are in proportion to the risk. It is undesirable, however, when it tends, as the existing procedure does, permanently to subsidize producers in "submarginal" areas.

The increases in income derived from the corn program varied in part for somewhat different reasons. Contract signers who normally sold most of their corn for cash and who produced a crop in 1934 had somewhat less corn to sell than they would otherwise have had and their gross incomes were consequently somewhat lower than if no program had been in effect. But livestock feeders who would otherwise have purchased the corn were, as a group, better off, if the assumption is correct that the corn reduction by itself had little effect on the income from livestock. As a matter of fact, farmers outside the drought area frequently harvested crops from the land which would otherwise have been planted to corn that were as valuable as the corn would have been.

Benefit payments were distributed among producers in accordance with the production of each during an historical base period. Farmers whose farms, farming practices, and ability may have been almost identical received, due to factors over which they had no control, greatly different "rewards" both in terms of benefit payments and in terms of permitted production in 1934. If the base period hog production of a farmer was below his

“normal” production during 1932 and 1933 his benefit payments were small, and at the same time his permitted production in 1934 was also small. (See Chapter V.)

There was, however, a third kind of “inequality” in the effects of the program on individual producers. This grew out of the fact that the corn rental payments were financed to a considerable extent from the proceeds of a tax on hogs. This would not be a serious matter if the relation between the importance of corn and hog production on individual farms was the same. But some farmers grew corn only, while others raised hogs only, buying all the corn they fed. If the hog raisers and the corn growers had been entirely distinct, the former would have been inclined to take the same attitude as the dairy-men in the Northeastern states took with respect to the proposal to pay for feed grain adjustments by levying a tax on all livestock and livestock products and to object to contributing to a fund that, as far as they were concerned, did nothing but raise their costs, at least for the time being. Since most corn growers were also in some degree hog producers, the “inequality” was not so serious. This was particularly true in 1934, when less than 40 million dollars from hog processing taxes was paid for reducing corn production. It will be more of a problem in 1935, when over 100 million dollars of processing tax collections on hogs will be distributed as corn acreage rental payments.

Another difference grows out of the fact that the producers receive hog benefit payments per head while taxes are collected per hundredweight. In the past, in part because of the geographic variations in the relations between corn prices and hog prices, it has paid to grow 200-pound hogs in Ohio and 350-pound hogs in Nebraska. It will probably pay to continue this practice even if a

AAA corn-hog program is in effect. But the Nebraska producer makes a greater contribution to the reduction in tonnage which is the immediate objective of the program, and is paid less for it than the Ohio producer. He is paid even less if the value of the reduction is used as a criterion.⁴¹ Yet administrative difficulties have so far precluded any attempt to make payments on any other than a "per head" basis.

A final difference grows out of the fact that production costs vary greatly as between regions and as between farmers in the same region. It has already been pointed out that corn-hog producers, both as individuals and as a group, gained more from the whole program than is indicated by the increase in their gross returns. It is difficult to measure these gains in any exact way, but they must nevertheless have been appreciable. The "cost" of raising a small crop either in terms of money or effort is less than that of raising a large crop, though not proportionately less. "Net" income, and consequently producers' general well-being, increased more than did gross returns. The relative increase in "net" income was larger for low-cost than for high-cost producers. Moreover, the proportion of fixed and variable costs varies widely between farmers. In some areas, for example, corn yields tended to be high because a large amount of fertilizer is used. Rental payments were made on appraised yield, which meant that these producers got a high payment per acre for the land taken out of corn and at the same time were able greatly to reduce their outlays.

⁴¹ An extreme example is the case of producers who sold roasting and suckling pigs. These pigs frequently were not taxed at all, but the producers were paid several times what the pigs would have been worth if they had been produced and sold.

RESULTS OF THE CATTLE PROGRAM

The results of the cattle program can be discussed briefly for at least two reasons. It was not an integral part of the AAA production control scheme but an appendage to it that grew out of the drought. It was financed by an appropriation from the Treasury and not from the proceeds of a processing tax.

The farm prices of beef cattle and the average prices per hundredweight paid by packers for cattle slaughtered under federal inspection in 1932, 1933, 1934, and the first half of 1935 are compared below. The total amounts paid by packers for such cattle are also given (in millions of dollars).

| Year | Farm Price | Packers' Price | Total Amount Paid by Packers |
|-----------------------------------|------------|----------------|------------------------------|
| 1932 | \$4.07 | \$4.94 | 355 |
| 1933 | 3.63 | 4.14 | 342 |
| 1934 | 3.88 | 4.55 | 420 |
| 1935 (first six months) | 6.27 | 7.11 | 270 |

By 1935 the farm price and the average price paid for cattle slaughtered under federal inspection were nearly 75 per cent higher than in 1933.

The market price of cattle in 1934 was much higher as a result of the drought cattle purchases than it would otherwise have been. If only an additional 2 million cattle would have been slaughtered under federal inspection in 1934 (see page 214) if no government purchases had been made, the total live weight of cattle slaughtered would have been nearly 11 billion pounds—as compared to a previous high of 9.8 billion pounds in 1926. This increase in the number of cattle slaughtered would have caused a corresponding increase in the supply

of hides and lowered hide prices. With a relationship between cattle supplies and prices even approximating the usual post-war relationship, the average cost to packers of all cattle slaughtered under federal inspection in 1934 would have been less than \$3.00 per hundred-weight, and the total cost of the 11 billion pounds would not have been more than 300 million dollars. Producers consequently obtained 120 million dollars more from the cattle they sold through commercial channels than they would have done if no emergency purchases had been made. In addition they received 112 million dollars for the cattle sold to the government. Consequently the total income from cattle in 1934 was 532 million dollars instead of not more than 300 million, an increase of at least 75 per cent.⁴²

Cattlemen in drought areas were not the only beneficiaries; cattle producers everywhere gained by the removal of the distress cattle from the market. Probably some small gains also accrued to hog producers in 1934, since the total meat supply in commercial channels was reduced and since the Relief Administration seems to have been relatively successful in preventing the relief meat from competing with commercial supplies.⁴³

In spite of the fact that the entire cost of the cattle program was borne by the Treasury, taxpayers may obtain some future benefits from it. The net reduction in cattle numbers in 1934 may have been somewhat less than if no purchases had been made (1) because those in

⁴² The 8 million dollars paid for sheep and goats was probably a net addition to the incomes of sheepmen.

⁴³ At least this appears to be the attitude of the packers, and they should be in a position to know. On the other hand, if there was more competition from the relief supplies of beef and pork than is commonly believed, it would help to explain the failure of the hog supply-price relationship to function in its characteristic post-war fashion in the 1934-35 marketing year. See p. 242.

drought areas were enabled to retain some of their foundation stock and (2) because cattlemen who had feed supplies decided to hold rather than sell their cattle. Beef supplies in the near future will not, therefore, be quite so short as would otherwise have been the case. Perhaps too, the supply of beef available for consumers as a group in 1934 was slightly more because of the relief aspect of the program.

In 1934 and 1935, but particularly in the latter year, cattle prices were higher than the normal post-war relation of cattle prices to commercial supplies and consumers' incomes would indicate. This was apparently the result of the reduction in hog supplies, due primarily to the drought and secondarily to the corn-hog program. Apparently the competition between beef and pork is greater than between pork and mutton, since sheep and lamb prices were not measurably affected by the short supply of pork. The shift from pork to beef that occurred in 1934 and 1935 lends support to the contention that the prices of one kind of livestock cannot be effectively maintained by adjusting its supply without doing something about other kinds.

EFFECTS ON PACKERS' MARGINS

Brief mention has been made in an earlier section of this chapter (p. 243) of changes in recent years in the spread between hog prices and the concurrent wholesale value of the products of 100 pounds of live hog.⁴⁴ These changes need to be considered somewhat further. The net spread⁴⁵ was much lower in 1933-34 and 1934-35

⁴⁴ The spreads between retail and wholesale prices remained practically unchanged until about January 1935. They then widened noticeably as the reduction in supplies began to have a substantial effect on retailers' volume.

⁴⁵ The value of the product minus both live hog price and processing tax.

than in any post-war year. (See the chart on page 243.) Whether this is in whole or in part attributable to the AAA program is another question.

Packers' spreads tend to decline on the eve and during the early part of a reduction in supply arising from competition to store pork products in order to take advantage of the rise in the value of inventory. Perhaps this competition was somewhat keener in 1933-34 and the net spread consequently somewhat lower because packers were inclined to believe that, since the government was going to take a hand in it, the reduction would be somewhat larger than would otherwise have been the case.

Perhaps more important reasons for the continued low spread through both 1933-34 and 1934-35 were tax evasion and the legal postponement of tax payments without the setting up of reserves adequate to permit eventual payment. The small packers (particularly in the East) whose business is largely in fresh pork, have been increasingly vociferous in asserting their inability to pay the processing tax. The scores of suits to obtain relief from the payment of processing taxes during the first seven months of 1935 bear witness to this fact. These packers all stress the impossibility of operating on current spreads and cite an increasing volume of untaxed pork as one cause of their difficulties.⁴⁶ Even before any effort was made to contest the legality of processing taxes, collections were less than slaughter statistics indicated they should have been (see page 144). This fact likewise suggests that there was an appreciable amount of tax evasion or postponement. The average tax paid on all slaughter has thus been somewhat less than that indicated by the tax rate and the net spread somewhat wider than

⁴⁶ Big packers and interior packers have other advantages over fresh pork packers, particularly those located in the East, and it should be

is indicated by subtracting the tax rate from the difference between live hog prices and product values. Since evasion and postponement were not uniformly distributed among all the units in the industry, those units not evading taxes or postponing payment without setting up adequate reserves probably had to "absorb" some of the tax (though presumably not a great deal of it) in order to compete with packers, local retail slaughterers, and producers who were neither paying the tax in full nor setting up adequate reserves.

On the other hand, profits from slaughtering operations in 1934 were nearly 30 million dollars, 5 million larger than in 1933, nearly 50 million larger than in 1932 when the industry operated at a loss, and the largest since 1929.⁴⁷ But of the 30 million dollar profit on slaughtering operations in 1934, the ten largest packers made 26 million, or nearly 4.7 per cent on net worth, while the small general packers and pork packers made less than 3 million dollars or about 2.1 per cent on net worth.

remembered that fresh pork packers are always "squeezed" when pork prices are advancing because, unlike the "big" packers, they do not obtain an inventory gain on storage stocks. The shoe is on the other foot when pork prices are declining, as then the big packers are suffering losses on inventory stocks. As the situation existed in 1934 and 1935, however, the little packers felt the "squeeze" when they wrote out the check for the payment of taxes and blamed the tax rather than advancing prices for their difficulties. It is possible, moreover, that the big packers applied somewhat more pressure than they would otherwise have done, knowing that the government tax would get the blame. Too, the big packers (and the middle-sized interior packers) may have been in a better position to apply pressure because they typically were the ones who handled most of the hogs and cattle slaughtered for government account. They were well paid for this work and the additional volume must have greatly reduced the "overhead" on the commercial product.

⁴⁷ Based on reports by packers subject to the Packers and Stockyards Act to the Packers and Stockyards Division of the Bureau of Animal Industry. The net profit on slaughtering operations in 1934 represented just over 4 per cent on net worth. Packers also made nearly 10 million dollars on non-slaughtering operations in 1934.

Probably the volume of business packers handled in 1934 was larger because of the AAA than it would otherwise have been. The volume of hogs was down 1 billion pounds but this was offset by the additional cattle slaughtered because of the federal government's drought cattle purchase program. Packers' volume was almost as large in 1934-35 as it would otherwise have been because the drought and not the AAA was responsible for most of the decline in supply. The chief effect of the first two years of the AAA program for the packing industry has thus been to cause some change in the relative position of the companies in addition to the changes that would have occurred in any case. The AAA program may have resulted in slightly lower spreads for the group, but these were offset by the profit on the processing of hogs and cattle for government account. The more important effect has been to place the big packers and the interior packers in a somewhat better position to squeeze the small packers who largely handle fresh pork and often no other kind of product.

EFFECTS ON CONSUMERS

During the first three years it was in effect, consumers were not greatly affected by the AAA livestock program.⁴⁸ This was solely because the major change in hog supplies was due to the 1934 drought and not to the AAA. The processing tax as such did not cause consum-

⁴⁸ Most of the comparatively small reduction in hog supplies attributable to the AAA resulted from the emergency programs and took place in 1933-34. The remaining reduction caused by the AAA resulted from the reduction in the spring pig crop of 1934, which was marketed in the winter of 1934-35. Very little, if any, of the drastic reduction in marketings of hogs in the late summer of 1935 can be laid to the AAA.

During the late summer of 1935 it was frequently asserted and reported by such well-known organizations as the Associated Press (see, for example, the *Washington Evening Star*, Aug. 10, 1935, p. 1) that one cause of the current scarcity of hogs was the slaughter of 6,200,000 pigs

ers to pay more for the pork supply that was available. In a superficial sense, consumers never would pay the bill even if the program were effective in reducing supplies, because they refuse to increase their outlay for pork when the supply decreases. In fact, if the supply decreases enough, they may even decrease their outlays for pork. However, consumers' expenditures for meat of all kinds might actually increase if the total supply were decreased. In a real sense, of course, consumers are adversely affected by an effective program to reduce hog supplies because, though they may not pay out a larger proportion of their incomes for pork, they have either to increase their purchases of other foods or actually eat less. In the former case their total food budget is increased and their real income, in terms of the sum total of goods, services, and leisure, is reduced.

It should be noted, however, that during the initial three-year period, pork products with a live weight equivalent of perhaps half a billion pounds were obtained in the course of the reduction in supply and distributed to consumers on relief rolls. It is probable, also, that there was actually a larger quantity of beef available for consumption as a result of the AAA cattle program than would otherwise have been the case. A great many of the cattle bought by the government in 1934 would never have reached the market if the cattle program had not been undertaken. Perhaps the canned meat obtained from these animals was not of the highest quality, but it must surely have been better than no meat at all.

and sows during the emergency campaign in the fall of 1933. This is absurd. These pigs would normally have come to market in the winter and spring of 1933-34. Even the pigs from the sows purchased during the campaign as well as the sows themselves would all have come to market long before Jan. 1, 1935.

SUMMARY

A casual inspection of the chapter may lead to the conclusion that some gains accrued to farmers as a result of the AAA corn-hog program, and that neither distributors nor consumers were adversely affected—that the income of one group gained and that no other group lost. This is not entirely correct. The income of farmers was increased, though not very greatly. A small part of the increase was diverted from the distributing industry: the remainder will have to be paid largely from processing taxes or from general taxes. About 37 million dollars was appropriated under the Bankhead amendment to the National Industrial Recovery Act. A deficit of 15 million dollars at the end of the 1934-35 marketing year remains to be financed from processing taxes or by the Treasury. The 112 million dollars paid for the drought cattle and the additional sums paid for shipping and slaughtering them came out of the Treasury. The Treasury in turn will have to be reimbursed from present or future taxes. The same is true of the sums paid by the Federal Surplus Relief Corporation for relief purchases of hogs and pork. Because of the competitive situation in the packing industry, a small part of the payments made by the government for handling its cattle and hogs filtered through to hog producers in the shape of lower spreads on the slaughter of hogs for commercial account. Consequently it seems that most of the gains of the livestock industry in the first three years following the passage of the Agricultural Adjustment Act have come, or will come, from the pockets of taxpayers in general, including producers themselves. A considerable part of this burden upon taxpayers must be attributed directly to the unprecedented drought, and not to the planned reduction programs of the AAA.

CHAPTER XIII

POSSIBILITIES AND LIMITATIONS OF THE AAA LIVESTOCK PROGRAM

The previous chapter has analyzed the causes of the improved conditions in the livestock industry in 1934 and 1935 when the adjustment effort as such was largely eclipsed by a drought of exceptional severity and was affected by various factors outside the AAA program. It does not mean, however, that under other conditions the adjustment program for corn and hogs would not have been effective in securing results earnestly desired by the AAA.¹ For this reason the present chapter attempts to determine what results might have been attained in the absence of the drought, and to appraise the possibilities and limitations of the livestock adjustment program if continued into the future. This involves two general issues—one as to what effectiveness might be expected of the production control devices in the absence of disturbing factors such as were present in 1934 and 1935; and the other as to whether their effectiveness promises to increase or to decrease with the passage of time. The first step in this appraisal is to consider what results the AAA would have obtained in 1934-35 if weather conditions had been more nearly normal.

ABILITY TO EFFECT INITIAL REDUCTIONS

The experience of the AAA with corn and hogs in 1934 and 1935 does not offer convincing evidence one way or the other of the ability of the control procedures

¹ The fact that the plans of the AAA were thrown so far awry by factors over which the Adjustment Administration had no control may raise some question, however, as to the feasibility of undertaking any such scheme of economic planning.

to secure even initial reductions in production. There is, however, some reason for concluding that the corn-hog program would have been reasonably effective in reducing feed grain and hog supplies in 1934 and 1935 if the weather had not conspired for the same purpose. This conclusion is based on three considerations.

1. Producer participation in the 1934 and 1935 programs would have been large enough to insure that the major portion of the commercial supply of corn and hogs would have been under contract. It is probable that the proportion of the base period production under contract might have been a little smaller in 1934 if hog production had appeared more profitable. But prospects for profitable hog production would have had to be much greater than appeared at all possible in view of the low level of consumers' income and the large hog supplies on hand.² With more normal conditions in 1934 the sign-up in 1935 might have increased somewhat rather than decreasing. Certainly corn and hog prices would have been lower in the spring of 1935 when producers had to decide whether or not to sign a 1935 contract.

Under normal conditions the response of non-signers both in 1934 and in 1935 to the combined AAA and non-AAA influences might have tended to offset in part the reductions made by contract signers. This tendency was actually negligible in 1934 and of no great signifi-

² Early in 1934 an "average" hog farmer in Iowa would have had to sell his 1934 hog crop for \$9.00 a hundredweight in order to gain more by not signing a 1934 corn-hog contract than by signing one (assuming average yields and so on). A cash corn farmer would have had to sell \$6.00 hogs and nearly 50-cent corn (at local markets). A southern Iowa cattle-raising farmer would have needed \$8.00 hogs in order to break even. See John A. Hopkins, Jr., "Prospects for Agricultural Recovery. III. Estimating Advantages of the Corn-Hog Plan to the Individual Farm," *Iowa Agricultural Experiment Station Bulletin No. 312*, January 1934.

cance in 1935. But in any case most of the commercial production would have been under contract, as well as most of the land best adapted to corn and consequently to hog production. The expansion would have had to take place in areas where other types of farming have a comparative advantage over the growing of corn and hogs.³

Finally, even under normal conditions, the incentive to expand hog production because of actual or anticipated increases in hog prices would be minimized by the effect of the hog processing tax on these market prices. As long as the tax was in effect, both signers and non-signers would continue to adjust the weight at which they sold hogs to the relation between the market prices of hogs and corn. In addition, non-signers would adjust hog numbers on this same basis.⁴ This "automatic" curb on hog production would become less effective only if prices of corn gradually declined owing to the inability to control corn production.

2. The base corn and hog production allowed on accepted contracts would have been, judged by the actual experience in 1934 and 1935, not much above the actual base period production of contract signers.⁵ This means that the reduction which producers agreed to make would have been an actual one and not simply a paper one. Obviously no net reduction is obtained when producers agree to make a 20 per cent reduction from a

³ Other programs attempting to reduce the acreage of cotton and wheat might have facilitated increases in corn acreage in cotton and wheat areas, but even this tendency would have been at least partially offset by provisions in the several commodity contracts designed to prevent such shifts.

⁴ The ratio between market prices of corn and hogs would be less significant than in the past in determining hog numbers only if non-signers felt that they could build up a big base and then participate in some future program on the basis of it.

⁵ See pp. 103-16.

base 25 per cent higher than their actual production in the base period. It actually made little difference to hog production in 1934 and 1935 (though it did to the volume of benefit payments) whether or not the base period hog production reported on contracts was approximately correct, since producers would have reduced production anyway due to the influence of non-AAA factors. Under normal conditions it is highly essential that such bases be correct.

3. Most producers would have complied with the terms of their contracts in such manner that most of the reduction they had agreed to make would have been obtained. This conclusion is based upon compliance experience in 1934, which appears to be a fairly satisfactory indication of probable results for the first year or two following the initiation of a program. Relatively few cases of intentional violation of the provisions of the 1934 contract were reported.⁶ Moreover, there is no evidence to indicate that many intentional violations were not eventually discovered and reported. This is understandable. The majority of farmers are not intentionally dishonest. Their first reaction is to fulfill the obligations of any contract that they enter into. It is only when they discover that a neighbor has not been living up to his that they begin to wonder whether they can be expected to. Even then their first reaction is either to report the violation or to talk it over with friends, in which case the authorities are likely to hear of it eventually. If nothing is done about the violation, the belief spreads that contracts are meant to be violated. But it takes time to build up such a sentiment and in the meantime compliance is fairly good.

⁶ Less than 3 per cent of the 1934 contract signers did not fulfill their obligations to the letter, and many cases of non-compliance were unintentional. See pp. 124-32.

Even were "violation sentiment" to become fairly widespread, still further time would elapse before the best ways and means of evasion were developed. In some communities the sentiment would develop more quickly than in others. In areas where the government has been notoriously lax in collecting seed loans it would probably develop quickly. In other sections producers have a wholesome respect for government contracts and a feeling that the violator, if caught, will be severely penalized. Most of these producers feel that the gain is likely to be too small to compensate for the risk. How long it might be before violation became serious is a matter to which attention will be turned shortly but the conclusion seems warranted that, even with normal weather conditions and other non-AAA influences, compliance would have been quite satisfactory in 1934 and 1935.

There is no basis for estimating what the combined influence of the actions of non-signers, "inflated" bases, and non-compliance would have been. However, it could scarcely have been enough to offset more than one-half of the reduction that contract signers agreed to make, especially since, in 1934, the dual control of hog numbers meant that contract signers would, in any event, have had to reduce hog marketings more than 25 per cent.⁷ Indeed the AAA leaders neither wanted nor expected national hog production in 1934 to be 25 per cent below 1932-33 levels. They hoped that this reduction on the part of contract signers, when coupled with the maintained or even increased production of non-signers, would result in a net reduction of 18 or 20 per cent.

Without the drought in 1934, therefore, hog production that year might have been reduced 30 per cent from the previous year, of which the AAA would have been

⁷ See p. 86.

responsible for about one-half. Without the drought, slaughter in 1934-35 would have amounted to 9.5 billion pounds without any AAA program and 8 billion pounds with one. In the former case, income from hogs would have amounted to 670 million dollars, in the latter to 700 million (including benefit payments).

POSSIBILITIES FOR THE NEAR FUTURE

The second step in appraising the future possibilities of the corn-hog program may for convenience be considered under three heads: (1) the problems involved in maintaining supply at a reduced level for a period of years; (2) the probable effects of this reduction in supply on livestock prices and producers' incomes; and (3) the effect of improvement in consumers' incomes on the need for reduction in order to attain the objectives of the Agricultural Adjustment Act.

Perhaps the most important consideration involved in maintaining a reduction in supply for several years is the attitude of producers. If the majority of producers feel reasonably certain that they will be in a better economic position if supplies are maintained at levels below what they would have been in the absence of any control, then the adjustment program will tend to be fairly effective. This does not mean that any control program will automatically be effective, but only that revised and adapted programs will tend to be.

So far it has been felt that one essential of a production control program is that the participating producer receives more than he would if he were not a participant. There seems no reason for not being able to satisfy producers on this score, especially if it is assumed that the "parity price" objective of the Agricultural Adjustment

Act includes benefit payments.⁸ To the extent that it is possible to adjust production and to forecast consumers' incomes it is possible to maintain, within reason, any desired "difference" between the farm price and the "fair exchange value," and thus to legalize and make possible the continued collection of a processing tax on hogs.⁹ The income from this tax, especially if it were supplemented by increasing proportionately the tax on corn, would provide ample revenue to continue payments on the relatively high level of 1935. If, as consumers' incomes increased, smaller adjustments were felt to be desirable, the tax rate could probably be reduced and the rate of benefit payments increased, because of the increase in revenue obtained from the larger volume of production.

The next essentials are that the contract be flexible and that compliance with its terms be easy to check. The possibility of dealing effectively with these problems is definitely less than with the first. The need for flexibility is not only important in the long run but, because the hog base goes with the farmer, is crucial even in the very short run. Some attempts to solve this difficulty temporarily have already been made. In 1934 close relatives were permitted to acquire the hog base of a deceased producer. In 1935 a further provision allowed a new producer, or an established producer who for any one of a number of reasons had a base below the average for the community, to obtain a production base for either corn or hogs which was larger than the 1932-33 average. He was not entitled to benefit payments on the com-

⁸ See note 4, p. 301.

⁹ Neglecting, of course, the question of the constitutionality of the taxing provisions of the Agricultural Adjustment Act. (See pp. 148-51, 307.)

modity for which the permitted production was obtained but was permitted to obtain benefit payments on the other. These provisions, however, have not solved the problem. So far as hogs are concerned (and neglecting the legal limitations of the act) it could be solved by discontinuing direct control of hog production and attempting to accomplish the same results by controlling corn production only—a proposal at one time considered for 1935.¹⁰ But the same problem will eventually arise, and indeed has already arisen, in connection with controlling corn production.

Its immediate appearance is due to the unavoidable variations that occurred in the organization of individual producers' farming operations in the base period. Restraining these producers from reorganizing their farm business is objectionable not only to the individuals concerned but from a broader standpoint. The pressure of these enforced maladjustments increases with the passage of time. Even a plan completely adapted to all existing variations from farm to farm will largely hinder the wholesome shifts in production that occur over a period of years.

The necessity of providing for these shifts is well recognized in the AAA.¹¹ The Corn-Hog Section sees the problem in terms of the difficulty of continuing to obtain effective control. The Program Planning Division, looking at it in terms of efficient production and national land use, has for two years been attempting to devise

¹⁰ See Chap. VIII.

¹¹ See M. L. Wilson, "Some Aspects of a National Land Program," *AAA Press Release No. 1171-35*, Dec. 12, 1934; H. R. Tolley, "Agricultural Adjustment and Country Life," *AAA Press Release No. 988-35*, Nov. 17, 1934; F. F. Elliot, "Some Problems Relating to a Continuing Agricultural Adjustment Program," *AAA Press Release No. 1401-35*, Jan. 17, 1935.

satisfactory ways of providing for these shifts, with little apparent success. The new AAA wheat program for the years 1936-39 inclusive, to be put into effect in the fall of 1935, to all intents and purposes is maintaining the same base used in its 1933-35 program—that for the years 1928-32. If no changes in the program are made in the meantime, by 1939 the first year of the base will be 12 years removed from the year in which the program is being conducted. The Planning Division has, in cooperation with the 48 state experiment stations, conducted during 1935 an extensive study of the general problem of regional readjustment and this study may contribute much to an understanding of the problem. It is one thing, however, to work out desirable readjustments in the regional distribution of agricultural production and quite another to develop and put into effect a practical administrative procedure for accomplishing the desired ends. It might seem desirable to decrease the acreage planted to corn in different areas by varying amounts or even to increase it in some. In fact, this change might be inevitable if farmers were left as free as in the past to make internal adjustments in their farming operations. But it would be another matter to attempt to obtain this change by variable contract provisions and other planned procedures. The initiation of control in 1934 and 1935 has created a kind of vested interest in bases which individual farmers will be loath to relinquish. In view of the fact that administrative difficulties which many held to be insurmountable were overcome in 1933 and 1934, it is unsafe to predict that an administrative procedure for handling these additional problems cannot be developed. A more serious difficulty is likely to arise in getting producers and their representatives in Congress to accept them. The adjustments made,

if any, may be subject to all kinds of political and group pressure; instead of being those that appear desirable, they may be the reverse.

A further difficulty arises in attempting to adjust agricultural production in any carefully planned way. In addition to variations in soil, topography, weather, and other natural factors, and in addition to multitudes of variations in economic conditions, all of which it may be possible to group in a manner that will not overburden the administration of the adjustment, the actual system of farming depends greatly on the aptitudes and abilities of individual farmers. Any classification of this variable is extremely difficult. Because of all these variations the gains obtained by individual producers in 1934 and 1935 differed greatly (see page 264). The possibilities of obtaining effective adjustments on the bases of procedures so far devised over a period of years thus seem to be definitely limited by the difficulty of making these procedures sufficiently flexible. No doubt the experience of the past and less time pressure will make it possible to overcome some of these inequalities in whole or in part, but they will always present serious problems.

The problem of obtaining a satisfactory degree of compliance with the terms of the contracts over a period of years will likewise tend to get more troublesome. It is generally felt within the AAA that as time goes on it will become increasingly difficult to check compliance as far as hogs and other kinds of livestock are concerned. Undoubtedly the technical difficulties of checking hog production are much greater than those of checking crop acreages, but in any case satisfactory compliance can be obtained only if the majority of producers are in favor of the program and if the morale of those responsible

for administering it in the field is maintained at a high level. There are indications that there has been some decline in this morale. In 1935 the problem of getting committeemen to complete contracts and forward them to Washington was serious.

There has likewise been some decline in the standards of integrity—an increase in the tendency to condone irregularities of one kind or another. Much of this grows out of the belief that individuals or committees were required to make unwarranted adjustments in 1934. Rumors spread that this or that individual obtained some favor; that this or that community was given a tolerance in its quota when contracts were being adjusted or when compliance was being checked; that this or that state did not remove all its overstatement. Local officials cannot understand why their requests for changes are refused and why it is impossible to alter a program of national scope because of a condition peculiar to one community. This tends to develop friction between local administrative groups and the AAA, and the difficulties have not been lessened by the tendency of those in charge of the program in the state, and directly responsible to the AAA, to side with producers and local officials—in some cases going so far as to suggest stratagems by which the regulation may be circumvented.

This danger is serious but not insurmountable. It would necessitate vigorous action on the part of the AAA. Such action would obtain the support of most producers, if it were not delayed too long and if the reasons for it were frankly explained. In the future a certain amount of supervision by individuals whose interests are not divided by their close association with farmers would appear to be almost essential in the interests of producers themselves.

Though it appears that it will become increasingly difficult as the years pass to control production effectively with any of the procedures so far devised, this does not preclude the possibility that other more effective measures may be developed. It is therefore worth while to examine briefly the effect that a semi-permanent curtailment of supplies might be expected to have on the economic status of livestock producers. The AAA has rather consistently held, at least in public, that its job was first to raise the unit prices of agricultural commodities to "parity" and thereafter to maintain them at that level. It has been tacitly assumed, often within the AAA itself as well as in public, that this would automatically result in an increase in agricultural income; indeed that an increase in market prices was essential if incomes were to be increased. The first step, therefore, will be to consider the effect of longer term control on livestock prices.

EFFECTS OF A LONGER TERM PROGRAM ON LIVESTOCK PRICES

An examination of the effects of a livestock program of more permanent character than that of the "emergency" measures undertaken in 1933, 1934, and 1935 may be divided for convenience into two parts, the first having to do with the repercussions in the processing industry and the second with the reactions of consumers.

The case for reducing livestock supplies as a method of increasing livestock prices is based in part on the belief that the units costs of distribution tend to remain fixed regardless of changes in volume handled.¹² In the

¹² The discussion will be in terms of "wholesale" spreads, though the argument applies in a similar manner, but to a much smaller degree, to retail margins. Pork products constitute only a small portion of the business of some retailers and so retail spreads on pork may not vary much if the supply handled is reduced. Presumably the retailer will handle an increased volume of other food products which will offset the decline in pork. However, retailers' margins will increase if retail prices tend

post-war period from 1920 to 1933 this was the case. Moreover, the net spread between the price of 100 pounds of live hogs and the price of the product thereof remained low during 1934-35—the first year in which supplies were really affected. But this experience during the period when supplies fluctuated around 10.5 billion pounds does not constitute a sound reason for assuming that net spreads will remain unchanged if the supply is more permanently decreased. A more reasonable assumption is that they would tend for a time to be narrower than those prior to 1932.

A reduction in supply, particularly if fairly large, would reduce the demand for packers' services and tend to put the less efficient units in the industry out of business. But the fixed investment in plant and equipment of the less efficient plants would have little more than "junk" value if slaughtering operations were discontinued. As long as any margin above variable costs was in sight, these plants would continue to compete with the other units in the industry for hogs. Since the life of the fixed investment in the slaughtering industry is relatively long, it might be some time before the less efficient units were finally forced to discontinue operations.¹³ It is even possible that they would continue to operate for a period as long as that in which the adjustment effort is undertaken, especially if general eco-

to be "marked up" by a definite percentage of wholesale cost rather than by an absolute amount. See note 44, p. 270.

¹³ As long as those units in the industry that were being "squeezed" felt that the processing tax might be declared unconstitutional, or that there was a possibility that the President would declare the "emergency" to be at an end, or that the control measures might be ineffective in obtaining any reduction in supply, they would have an additional incentive for continuing in operation even though temporarily these operations showed a loss. As long as any one of these possibilities was a factor in the situation, there would, therefore, be an additional reason for expecting narrow spreads.

conomic recovery continued to make progress. If, however, the adjustment effort continued long enough to result in the forcing out of less efficient units in the industry, the net spread would tend to widen again. Presumably it would not, even then, be as large as it would have been if no reduction in supply had occurred unless the concentration of slaughtering in the hands of the more efficient units eventually resulted in a substantial degree of monopoly control. It therefore seems probable that no difficulties would arise so far as the maintenance of net spreads no wider than (if as wide as) in the years prior to 1932 is a necessary prerequisite to the successful operation of a control program.

The case for reducing livestock supplies as a method of increasing prices is based, in the second place, on the belief that consumers will pay as much for a relatively small supply of pork as for a large supply. Consumers rather consistently reacted in this manner to changes in the supply of pork products for 15 years following the World War. It has been shown that even during 1932 and 1933 this tendency persisted if the necessary allowance was made for changes in consumers' incomes. It may be gravely doubted, however, whether it would persist in the face of a somewhat permanent reduction in supplies—particularly if an unwise attempt to take undue advantage of the production control features of the adjustment procedures led to rather large reductions. In the past, relatively small supplies have never persisted for more than one or two years. In such a short period of time consumers' habits do not change very greatly. Moreover, the supply response of substitute products to the increase in their prices resulting from the high prices of pork would likewise be small. But when the supply of pork is reduced for some time and reduced

to a level even below the low points of previous years, both the reactions of consumers and the supply of substitutes will be much more apt to change in a rather permanent manner. In the past, pork products have been a relatively cheap meat, but they might no longer continue to be so under the changed conditions. Consumers might get into the habit of eating meats other than pork or of eating products that at first glance did not even seem to be substitutes. This would be an additional reason for expecting an increase in the supply of these substitutes; and once the investment in productive equipment was made, the supply of substitute products might continue to increase in the face of some decline in their prices.

Little statistical evidence is available to support this reasoning. Pork supplies were very greatly reduced in 1934-35. It seems probable that by the end of the marketing year the average retail price will be somewhat lower than average post-war supply-price relationships would lead one to expect. But retail prices may be no further out of line than in some other post-war years and so the deviation in 1934-35 may have no significance.¹⁴ Moreover, this merely indicates what may occur in a single year when there is a very drastic reduction in supply and not what may happen over a period of years. The probabilities are that more substitution would occur over a period of years even with only moderate reductions in the supply of pork products than occurs in a single year even though the reduction in that year is drastic. Furthermore, the supply of all staple foods was relatively short in 1935, and particularly the supply

¹⁴ Some of the difficulty in forecasting the actual level of retail prices in 1934-35 is that a far greater reduction in consumption will occur in the last half of the marketing year than in the first half. Thus consumption in the first six months was only about 20 per cent below the previous year; in the last six months it will be at least 40 per cent below.

of the most acceptable substitutes.¹⁵ The conclusion seems warranted, however, that there is a point beyond which additional reductions in supply will not result, even for a short time, in a proportionate increase in prices to consumers.

On balance it appears more probable that, in time, consumers will fail to pay proportionately higher prices for a reduced pork supply than that they will continue to pay the same total amount at retail for a permanently reduced supply. This change in consumers' demand will not take place rapidly and for a time may be offset as far as the producer is concerned by reductions in packers' operating margins. The final result will be delayed, too, if similar control is exercised over the supply of the substitutes, particularly of other meats. To prevent this result from occurring eventually would necessitate permanently effective control over the supply of all available substitutes. This appears to be quite impracticable. The conclusion nevertheless appears inescapable that for a time hog prices would be increased by an effective limitation of hog supplies, but it is rather probable that such a plan would in the end defeat its purposes if too much emphasis were placed on obtaining "parity" prices. This important matter will be considered further in the concluding section of this chapter.

EFFECTS OF A LONGER TERM PROGRAM ON THE INCOME OF PRODUCERS

An increase in unit prices in themselves does not guarantee that producers will be better off than they were before. To the producer who has very little or noth-

¹⁵ The demand for all food products must, in the nature of the case, be quite inelastic even under normal conditions of supply, and must be very inelastic when the supply becomes insufficient to provide for even a moderate diet. But this does not follow for a single food even when it is as important as pork.

ing to sell, high prices are valueless. Thus, for a producer to be better off than he was before the adjustment, the volume of product he sells must not be so small as to offset the effect of the increase in price. Since it has been concluded that for a time the reduction in consumers' outlays for pork will not be substantial (though the reduction will increase with the passage of time), and since it appears that even this reduction may be offset in part by an actual decline in the *unit* cost of distribution, it must follow that the income of hog producers will be increased for a time at least by an effective reduction in supply.

This does not mean that producers will get more on the market for the product they actually sell. Whether market prices and/or producers' incomes from sales of hogs are higher or lower than would otherwise be the case when the supply is limited by the procedure authorized by the Agricultural Adjustment Act depends (1) upon the rate of processing tax and (2) upon the amount of reduction in supply.¹⁶ If the processing tax rate were high while the adjustment required of pro-

¹⁶ It should be noted in passing that the hog (and its products) is unique in that, of the major products to which production control has been applied, it is not on an "effective" export basis. (Some types of tobacco are not. Tobacco is unique in some other respects, however. See H. B. Rowe, *Tobacco under the AAA*, Chap. III. With wheat there was for some time a large exportable surplus above domestic needs, but prices were so far above world prices that exports were very small. See J. S. Davis, *Wheat and the AAA*, Chap. XI. Wheat nevertheless must be classed with cotton as an export commodity.) Only a small volume of pork products is exported and most of this is lard. The high tariffs, import quotas, and absolute prohibitions of importing countries prevent any real response of exports to relative prices at home and abroad. It is thus essential, if producer's incomes are going to be increased, that there be effective reduction in supply. When prices in the domestic market are on a world basis and when domestic consumption is not a major portion of world consumption, producer's incomes will be increased by the mere imposition of a processing tax and the distribution of the proceeds to producers without the necessity of any concomitant control of supply.

ducers were low, market prices might be lower than if no processing tax had been levied and no adjustment made in supplies. In fact, unless a reduction of 15 per cent or more is secured this will be the result of levying a \$2.25 processing tax on hogs. Hog producers consequently have not received and usually will not receive most of their increase in income from increases in market value, as has been not infrequently asserted,¹⁷ but from a combination of the two in which benefit payments may be very important. This indeed is demonstrated by the experience of 1933-34 and 1934-35. The net reduction attributable to the AAA was small, the processing tax rate was high, and receipts from sales alone were less than they would have been if no processing tax reduction programs had been conducted.¹⁸ Only if a reduction of at least 18 to 20 per cent in supply had been secured by the AAA would market prices have been higher than if no program had been initiated.

The corn-hog program loses much of its voluntary character when market prices are depressed more by the tax than they are raised by the reduction in supply.¹⁹ Farmers may have to participate in order to save themselves from being severely penalized, but because the program cannot be completely adaptable to all individ-

¹⁷ "Occasionally, we fear, some farmers look upon the benefit checks as the chief return they get from the adjustment program. Actually, the increase in the value of farm products is a good deal more important than the checks. . . . The principal gain from the adjustment program is not the benefit check, but the bigger return secured from the crop produced." Editorial, *Wallaces' Farmer and Iowa Homestead*, June 22, 1935, Vol. 60, No. 13, p. 4.

¹⁸ See p. 259.

¹⁹ In cases where the level of hog prices is low and the adjustment small, a corn-hog program with a \$2.25 processing tax is more "compulsory" than is the program for cotton under the Bankhead Act. In the latter case the non-co-operating producer is given tax exemption certificates on the same basis as co-operators. In the former, the non-signer's only privilege is that of selling 300 pounds of hog products tax free.

ual farming practices some farmers are penalized whatever they do. This has at least two undesirable aspects. It forces these farmers to make particularly unsound adjustments in their farm organizations, and at the same time leaves them financially worse off than if no program at all had been undertaken.

THE IMPORTANCE OF ECONOMIC RECOVERY

Up to this point it has been assumed that, throughout the period in which adjustments were to be made, domestic and foreign demand were not apt to return to pre-depression levels or better. This assumption was made simply to facilitate the exposition and not as a forecast of the trend of economic recovery. It is therefore essential to stress the fact that any improvement in domestic demand would reduce the amount of curtailment required in order to obtain "parity" prices for hog producers. Any improvement in foreign demand even if it were only the lowering or removal of the existing barriers in the shape of high tariffs and import quotas would likewise be helpful. If consumers' incomes were to return to 1925-29 levels (even assuming that the costs of distribution returned to pre-depression levels and that export demand remained at the low 1931-34 level) and provided the "cost of things farmers buy" did not increase very greatly, "parity" prices (including the processing tax) could be obtained for about 9.5 billion pounds of pork.²⁰ If export demand returned to the 1929-30 level while the cost of distribution remained below pre-depression levels, producers could sell about 10.5 billion pounds at "parity" farm prices (including the tax). A supply of this size would be about equal to the average post-war

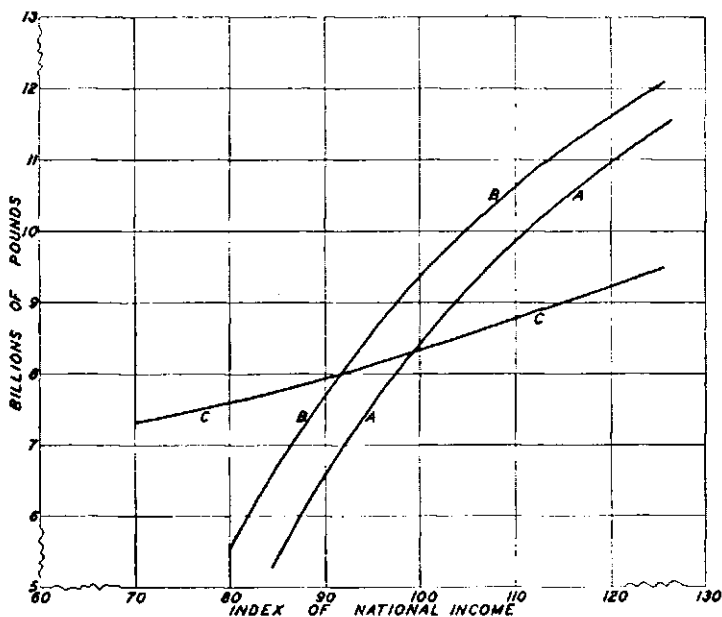
²⁰ If a \$2.25 tax on hogs were continued, and an attempt made to obtain "parity" farm prices in addition to the tax, supplies would have to be cut to less than 8 billion pounds.

production (though, because of the increase in population, less than post-war per capita consumption). A situation of this kind is not likely to occur, however, because both the costs of distribution and "the cost of things farmers buy" will tend to increase along with consumers' incomes.

The importance of economic recovery to hog producers is illustrated in the chart on page 296. Line *B* shows the approximate supply that could be sold at "parity" farm prices (including a \$2.25 tax) at different levels of consumers' incomes assuming (1) an index of prices paid by farmers slightly above the 1935 level, (2) a cost of distribution slightly below pre-depression levels, and (3) a very slight improvement in foreign demand. The importance of deciding whether or not the tax is to be included in determining the farm price to be compared with "parity" prices is shown by the fact that if it is not included a further reduction of 1.5 billion pounds in supply is necessary in order to attain the "parity" price objective of the act. (See line *A* of the chart.)

Probably the prospects for more or less continuous improvement in domestic demand are better than those for foreign demand. Consumers' incomes declined from 120 per cent of the 1921-31 level in 1928-29 to 71 per cent in 1932-33. Recovery has been less rapid than the decline, but incomes for 1934-35 may be 11 points or 15 per cent above those of two years earlier. If this trend continues for the next two years and some improvement in foreign demand occurs, producers should be able to sell about 9.5 billion pounds of hogs for about \$8.00 a hundredweight (including the tax). With little or no increase in exports from 1933-34 levels this would provide a per capita domestic supply about ten pounds, or 12 per cent, less than in the post-war period and almost

HOG SUPPLY THAT WILL SELL FOR "PARITY" FARM PRICE
AND HAVE MAXIMUM GROSS VALUE AT VARIOUS
LEVELS OF NATIONAL INCOME^a



A—SUPPLY TO BRING "PARITY" FARM PRICE EXCLUDING TAX
B—SUPPLY TO BRING "PARITY" FARM PRICE INCLUDING TAX
C—SUPPLY TO BRING MAXIMUM GROSS VALUE INCLUDING TAX

^a Based on chart on p. 250 and assuming a net wholesale spread of \$3.00 per hundredweight and an index of foreign demand of 45. Supply in terms of federally inspected slaughter and national income as index numbers for which 1921-32 = 100.

equal to that in the period from 1910 to 1914. But a price of \$8.00 per hundredweight does not represent the official goal of the AAA, which is "parity unit prices."²¹

²¹ Perhaps the official attitude is due in part to the legal terminology of the Agricultural Adjustment Act and the belief that, regardless of the intent of its original framers, Congress had determined the policy to be

Rigid adherence to the "parity" price formula for hogs under all conditions is almost certain, sooner or later, to affect producers' incomes adversely. (1) When ^{consumers'} these incomes are very low it may actually lead to an immediate decrease in the gross income from hog production. This is illustrated in the chart on page 296, which shows that the supply with the maximum gross value (line C) is larger at low levels of consumers' incomes than the supply that will sell for "parity" prices. (2) Unless and until domestic and foreign demand return to pre-depression levels, reductions in hog supplies of as much as 30 per cent below 1921-31 levels are necessary in order to obtain "parity" prices. There is a distinct possibility that consumers will rather quickly reduce the proportion of their incomes they spend for pork products if the supply is greatly reduced for any length of time. This result is apparently not only possible but probable if no control is exercised over other meats, especially beef. This is much less likely to happen if supplies are only moderately reduced. (3) It is administratively difficult to obtain and maintain drastic reductions in supply. Revenues are reduced by the sharp reductions in supply. Market prices rise, producers feel that it is to their advantage not to participate, and those that do are more apt to attempt to evade compliance.

Thus if consumers' incomes do not return to pre-de-

that of raising unit prices to the parity level. Some members of the Adjustment Administration at least will agree with J. S. Davis that simply because the price of an agricultural commodity bore a certain relationship between 1910 and 1914 to the prices of commodities farmers then bought, this is no reason why it should, *ipso facto*, bear the same relationship in 1935 to things farmers now buy. (See J. S. Davis, *Wheat and the AAA*, pp. 433-40.) Because supplies were below "normal" in the years from 1910 to 1914, hog prices in this period—indeed livestock prices in general—bore an even more favorable relationship to the "cost of things farmers buy" than did agricultural prices as a group. See note 28, p. 20.

pression levels in the course of the next few years parity prices for hogs cannot be attained without reductions in supply so large as to be unwise even from the producers' standpoint. Under these conditions the AAA and the producers should be willing to modify the rigid adherence to the "parity" price formula and adopt a compromise that will "protect the consumer's interest" by giving him a "reasonably" large supply of pork, and "protect the national interest" by maintaining soil fertility and preventing erosion by means of corresponding adjustments in corn production. This would entail quite moderate reductions in supply and rather radical revisions of the declared policy of the Agricultural Adjustment Act. The extensive amendments to the original act passed in the summer of 1935 were so worded as to perpetuate the existing objectives and to make possible an increase rather than a decrease in the rigidity of the "parity" price formula. These and other aspects of the amendments will be discussed in the concluding chapter.

CHAPTER XIV

PROSPECTIVE EVOLUTION UNDER THE AMENDED ACT

Up to this point the analysis of the future possibilities of the livestock program has been made in the light of the objectives of the original Adjustment Act, and the devices employed from 1933 to 1935 to attain these objectives. It is now necessary to consider briefly what modifications of objectives and procedures are to be found in the recently enacted amendments to the original act.

During the 26 months between May 1933 and July 1935 nearly all the procedures authorized by the original Adjustment Act were experimented with, in connection with one commodity or another, in an effort to carry out the "declared policy" of Congress. In conducting some of these experiments the AAA encountered numerous administrative difficulties which it was felt could not be removed without amending the act. In conducting others the AAA made interpretations of the intent of Congress which it wished to have incorporated into the statute. During the same initial period other possible methods of improving and maintaining the economic status of agriculture had occurred to both Administration and agricultural leaders. The latter group, moreover, felt that authority to "subsidize" exports, a procedure which they had long advocated, should be more clearly and unmistakably set forth. For these and other reasons, during the spring and the summer of 1935 a series of amendments to the original act so extensive that

they constituted virtually a complete revision of it were requested of Congress.¹

These amendments were eventually enacted by Congress in somewhat modified form and approved by the President on August 24, 1935. The most extensive revisions were the result of an attempt to modify the Agricultural Adjustment Act to meet constitutional objections, but a number of changes were made which dealt with objectives and production control devices. The first step in appraising the course of development which these changes foreshadow for the livestock program is to consider the administrative limitations encountered during the initial two-year period.

LIMITATIONS ENCOUNTERED UNDER THE ORIGINAL ADJUSTMENT ACT

Though the language of the Agricultural Adjustment Act as it was passed on May 12, 1933 was far from explicit, the provisions with respect to the termination of processing taxes on an individual commodity were generally interpreted as intending that the Secretary was to discontinue their collection at the end of any marketing year in which the average farm price for the commodity had equalled or exceeded its "fair exchange value." If this interpretation were to be strictly adhered to, it would make difficult if not impossible continuous control by means of individual producer contracts involving benefit payments.² Instead, the procedure through processing

¹ Aside from increasing the number of basic commodities and authorizing the appropriation of 250 million dollars for the cattle program, the amendments passed in the spring of 1934 introduced no changes of any consequence in the processing tax and benefit payment features of the act.

² Except in the not altogether unlikely event of direct appropriations by Congress for the purpose. The Jones-Connally Cattle Act (see Chap. IX) and the Emergency Relief Appropriation Act of 1935 (74 Cong. 2 sess., J. res. 117) offer examples of such appropriations. The latter

taxes and benefit payments could be used only intermittently.

If the need for, and the advisability of, production control is for the moment assumed, this interpretation of intent of the act is particularly inappropriate in the case of livestock. Because there is a considerable time-lag between changes in production and changes in market supplies, the intermittent use of the powers granted under the act would increase the fluctuations in livestock prices and production and destabilize income—two results in direct opposition to the ideas in the mind of those in charge of the administration of the act who entertained definite economic planning objectives.³ The fluctuations in prices, production, and income would be large, moreover, because the imposition of the processing tax would tend to lower market prices at a time when they were already low, and its removal would tend to result in a rise in market prices when they were already at a relatively high level.⁴

Moreover, the "emergency" aspects of the original act

authorized the use of funds appropriated for work relief for the administration of the Agricultural Adjustment Act.

³ See p. 34.

⁴ As far as livestock is concerned a saving feature of the procedure was that, since farm prices were lowered by the imposition of the tax, a difference between fair exchange value and farm prices would be maintained as long as too great a reduction in supply did not occur. Yet co-operating producers could be thought of as receiving parity prices by adding the benefit payments per unit to the actual farm prices. Thus the procedure might be continued more or less indefinitely if it were not for uncontrollable factors like the 1934 drought causing unforeseen changes in supplies and thus in prices.

The AAA has, upon occasion, officially taken the view that the objective of the Agricultural Adjustment Act is to have farm price plus benefit payments equal "fair exchange value." "Since tax collections are distributed mostly as benefit payments to farmers as a group, current [farm] value to be compared with fair exchange value is regarded as approximately farm price plus processing tax." *Corn-Hog Adjustment* (C-H 113), AAA, Table 1, Note 3, p. 2.

had gradually faded almost entirely into the background in the minds of both farmers and administrators. The whole tendency was to regard the legislation as permanent, and to believe that control of production would be needed for some time to come. A procedure that had to be discontinued simply because an uncontrollable element like the weather had temporarily raised prices to "parity" levels (and thereby laid the foundation for a violent swing in the other direction) was hardly likely to be looked upon as satisfactory for these broader purposes.

Another difficulty was encountered in attempting to develop a plan for controlling hog production through limiting the acreage planted to corn. The act was interpreted to require a substantial portion of the proceeds of the tax to be used for making benefit payments to producers of the taxed commodity. Thus, even though it were certain that a reduction in corn production would result in a reduction in hog production, the act did not permit the proceeds of the hog processing tax to be used exclusively for retiring corn acreage. Partly as a result of this legal limitation, the 1935 corn-hog program was continued in a manner substantially unchanged from 1934.⁵

A third limitation grew out of the wording with respect to the condition under which compensatory taxes on competing products could be levied; namely, that the imposition of a processing tax must result in "disadvantages in competition" to processors of the taxed commodity. If it had been possible to justify a compensatory tax on products competing with hog products the addi-

⁵ The same legal difficulty was one of the stumbling blocks in the way of developing a plan to control all livestock production by controlling all feed grain production. See pp. 152-54.

tional revenue so obtained might, it was felt, have made possible a comprehensive program of feed grain control which in turn would have tended to control not only hog production but the production of all livestock and livestock products.

A fourth difficulty grew out of the ambiguity of the wording with respect to the use of the simple form of the domestic allotment plan. The original version of this plan provided for the making of benefit payments to producers on the domestically consumed portion of their production but did not necessitate any limitation of production on the farmers' part. While the Secretary of Agriculture and many of his advisers did not believe that the domestic allotment plan by itself would accomplish the desired ends, there was some demand that this procedure be tried out. The AAA would have liked, however, to consider the possibility of using a domestic allotment plan for hogs in conjunction with direct control of corn acreage as a way of avoiding the necessity of checking compliance on hogs and yet fulfilling the legal requirement that benefit payments be made on the commodity taxed.

Other proposed revisions of or additions to the original provisions, while they did not grow directly out of the livestock experience, were potentially applicable to these agricultural commodities. The "ever-normal granary," which was, as far as corn and other feed grains were concerned, essentially a plan to "stabilize" corn supplies and prices and thereby control livestock production, required for its conduct a provision authorizing benefit payments in kind.⁶ It was proposed that interest and tax payments be included in the determination of "parity" prices and fair exchange value, and that the

⁶ See pp. 233-36.

Secretary be given the authority to increase processing tax rates by not more than 20 per cent in order to offset refunds on exports and on products sold to charitable organizations. Other proposals had to do with either marketing agreement and license provisions, or with the processing tax sections.

MAJOR PROVISIONS OF THE AMENDMENTS

The amendments as finally passed contained most of the provisions that the AAA felt were administratively desirable or constitutionally necessary. Payments for adjustments (in place of reductions) in production, for removing surpluses from commercial channels, and for expanding domestic or foreign markets or in connection with a scheme of the domestic allotment type⁷ were authorized whenever the Secretary of Agriculture, through investigation and hearings, determined that the current average farm price for any basic agricultural commodity was less than its fair exchange value, or was likely to be, in "the period in which the production of such commodity during the current or next succeeding marketing year is normally marketed."⁸

⁷ See pp. 26-28, 303.

⁸ The House amendment provided that the Secretary might exercise such one or more of the powers conferred upon him whenever he has reason to believe that "the current average farm price for any basic agricultural commodity is less than, or is likely in the current or next succeeding marketing year for such commodity to be less than the fair exchange value thereof. . . ." The Livestock Division of the AAA pointed out that hog prices might be equal to or above the fair exchange value in 1934-35 and 1935-36 but that the discontinuance of the adjustment program after the end of the 1935 contract might result in the reappearance of a large hog supply in 1936-37. In other words, production had to be controlled in 1936 in order to control prices and income in 1937. In order to overcome this specific difficulty and others of a similar nature, this section was revised so that the determination was based on prospective prices during the year the product was to be marketed rather than the year it was to be produced.

The more important provisions of the amended act dealing with the adjustment and related procedures are shown in Appendix C.

Processing taxes were constituted the source of funds when payments were to be made for adjusting production, removing surpluses, expanding markets, and so on.⁹ From August 24, 1935 (the date of the adoption of the amendments) to December 31, 1937, the rates were to be those in effect at the time the amendment was adopted (\$2.25 on hogs, 5 cents on corn) except that the Secretary (1) might adjust them to the difference between the current average farm price and the fair exchange value; (2) might decrease them (including a decrease to zero) in order to prevent an accumulation of surpluses or a depression of farm prices; (3) was required (a) to adjust them for the next succeeding marketing year to 20 per cent of the fair exchange value if the average farm price during the two months immediately preceding and the first ten months of any marketing year was between 100 and 110 per cent of the fair exchange value, (b) to adjust the rate to 5 per cent of the fair exchange value if the farm price was between 110 and 120 per cent of it, and (c) to adjust the rate to 10 per cent of the fair exchange value if the farm price was more than 120 per cent of it.¹⁰ This provision thus made certain (unless declared unconstitutional) that at least some processing taxes might be collected until December 31, 1937. If the

⁹ Note that it is no longer necessary to make benefit payments to farmers in order to collect processing taxes. The decision to make any one of the other "payments" is now sufficient to permit the levying and collection of taxes. The House proposed to appropriate 30 per cent of the customs receipts for these and other purposes; this amendment was removed by the Senate when Administration lawyers intimated that it was of doubtful constitutionality, but was replaced in conference.

¹⁰ To illustrate: Suppose the fair exchange value of hogs for the period September 1935 to August 1936 to be \$9.50 and the average farm price for the same period to be \$10.00. Then the processing tax rate for the 1936-37 marketing year (November to October) would be set at \$1.42. If the average farm price were \$12, the rate would be set at 95 cents.

flexible features of the taxing provisions are declared unconstitutional, then the rates are to revert to those in effect the date the amendments were passed.¹¹

Authority was granted the Secretary of Agriculture to make benefit payments in kind, though the Senate added the words "subject to the consent of the producer." Permission to make such payments was essential if the corn loan program initiated in the fall of 1933 was to be expanded and made an integral part of a scheme for controlling corn supplies and prices and by this means controlling livestock production. Since this scheme proposed making corn loans at relatively high rates when corn supplies were deemed too large, it was essential that the AAA have authority to use the corn that would eventually come into its hands to "pay" producers for restricting planting in the following year. This amendment removed one difficulty in the way of inaugurating this "ever-normal granary" plan but did nothing to overcome more fundamental objections to the scheme.¹²

The Secretary of Agriculture was likewise authorized to levy compensatory taxes on products competing with

¹¹ After Dec. 31, 1937 the rates are to be established according to the prescribed formulae. In the meantime the constitutionality of these formulae will probably be passed upon by the Supreme Court. In the event that they are found to be unconstitutional, Congress will have until Dec. 31, 1937 to decide whether to set specific tax rates or to attempt to devise other legal means of providing for flexible rates.

These elaborate schemes for determining tax rates were devised, in part at least, in an attempt to remove all doubts concerning the constitutionality of the tax by delimiting in detail the powers delegated by Congress to the Secretary of Agriculture (see pp. 148-51). The Senate Agriculture Committee print of the amendments (H.R. 8492) contained about 60 pages, 25 of which dealt with processing taxes. For the same reason and for the purpose of incorporating in the statutes the procedures devised under the original marketing agreement and licensing sections, an additional 25 pages were devoted to "spelling out" the marketing agreements and "Secretary's Orders" sections of the amended act. See E. G. Nourse, *Marketing Agreements under the AAA*, Chap. XII.

¹² See Chap. XI, especially pp. 233-37.

a commodity upon which a processing tax is collected if investigation and hearings demonstrate that producers as well as processors of the product on which the processing tax is levied suffer disadvantages in competition thereby.

One other amendment is of considerable interest. Sub-section (3) of the declaration of policy was revised. Congress declared that its policy was to protect the consumer's interest by requiring the Secretary of Agriculture to authorize no action which had for its purpose the maintaining of prices to producers above "parity."¹³

THE FUTURE OF THE LIVESTOCK PROGRAM

No certain conclusions can be drawn concerning the future of the livestock program of the AAA under the amended act. Its legal foundation, even as now strengthened, may of course be declared unconstitutional, in which case the entire scheme must be radically altered, to say the least. But aside from this as yet unanswered question, the course of action implied by the amendments is not altogether reassuring.

No material change in the production adjustment procedure is specifically authorized or required. Individual commodity programs still have to be largely self-financing and at least some payments apparently have to be made to the producers of the commodity taxed, since no authorization is granted which would permit the proceeds from a tax on hogs to be used wholly to adjust corn

¹³ The amended act reads as follows: "It is hereby declared the policy of Congress . . . (2) to protect the interest of the consumer by (a) approaching the level of prices which it is declared to be the policy of Congress to establish in Sub-section (1) of this section by gradual correction of the current level at as rapid a rate as the Secretary of Agriculture deems to be in the public interest and feasible in view of the current consumptive demand in domestic and foreign markets, and (b) authorizing no action under this title which has for its purpose the maintenance of prices to farmers above [parity]."

production, or for a tax on all livestock to be used to control all feed grain acreage.¹⁴

In view of the administrative difficulties and sectional differences which such a procedure would raise, it is perhaps just as well that the AAA cannot embark immediately on such an all-inclusive program. It would constitute a long step into the field of economic planning for agriculture, and a great deal of research and investigation concerning the probable results of a program of this kind is needed before it can safely be undertaken. In such research the results obtained from the more limited experiments in agricultural planning now in progress need to be carefully taken into account.

If it appears to be desirable to get away from direct control of hog production, this can be accomplished by a combination of the domestic allotment plan for hogs and direct limitation of the acreage planted to corn.¹⁵ Since direct control of cattle production is practically impossible because of the opposition of range cattlemen, and since the results of such a program are by no means certain,¹⁶ the AAA is well advised to hold a cattle control program in abeyance. Cattle producers, however, are profiting financially from the reduction in hog supplies.¹⁷

¹⁴ The AAA, with the possible exception of the Dairy Section, would have liked an amendment permitting the collection of taxes on livestock and livestock products in order to control feed grains. Corn-hog producers supported the proposal strongly, but many beef cattle producers and dairymen opposed it vigorously. After a vain attempt to get the support of these groups of producers the AAA largely discontinued its advocacy of an amendment for the purpose.

¹⁵ Since oats are the only important feed grain not a basic commodity, direct control of other feed grains could be undertaken if it appeared advisable.

¹⁶ See J. D. Black, *Dairy Products under the AAA*, Chaps. XIV and XV.

¹⁷ During the first six months of 1935 cattle prices advanced more than could be accounted for by the usual relation of changes in beef prices to changes in supplies and consumers' income.

A small compensatory tax on cattle might therefore be justified and could be levied under the new amendments. The funds so obtained might be used to experiment with the possibilities of feed grain control.

As an alternative of, or supplement to, production control, the amendments definitely authorize a system of export subsidies. Very little use can be made of this procedure as far as meat products are concerned. The foreign market for American pork and lard is very definitely limited by import quotas, prohibitions, and tariffs. Moreover, the present administrators of the act are opposed to an undertaking of this type on a large scale. Political or group pressure may force them to experiment with it on a larger scale than has so far been attempted, but livestock products are not likely to be used for the purpose.

Under existing conditions in world markets for pork and lard, limitation of hog production in the United States is not likely greatly to affect American exports of hog products unless very drastic reductions in supply are made.¹⁸ Prior to 1935, American exports of pork and lard were declining not so much because the relation between the United States and world prices was unfavorable but because quotas and restrictions of one kind or another almost prohibited such exports. They have constituted so small a proportion of United States production in recent years that the complete disappearance of the export market would not very greatly affect hog prices. Lard prices would decline relative to other hog products. But lard constitutes less than 25 per cent of the carcass by weight and an even smaller proportion by

¹⁸ In the first half of 1935, exports of pork products were less than one-half those of the first half of 1934. Reflecting the very large reduction in domestic supplies, livestock prices rose sharply relative to world prices.

value, so that the net effect on hog prices would not be large.¹⁹

Though the amendments imply that emphasis has been shifted from "emergency" to more permanent adjustments, most of the procedures authorized are based upon a continuation of direct control of production. Much has been said the last two years of the necessity of getting away from more or less arbitrary reductions in supplies and of instituting a program looking to the prevention of soil erosion and the conservation of soil fertility—a systematic land-use plan that will maintain the national agricultural resources of the nation. The amendments do little to facilitate such a transition. Any developments of this kind will have to grow out of such modifications of the present direct crop control programs as may be found practical and legal. The difficulties inherent in making such changes after a procedure has once been adopted suggest that changes in this direction will be slow at the best.

Perhaps the most disturbing implication of the new amendments is the increase in emphasis that has been placed upon the "parity" price formula. In Chapter XIII, page 297, it was pointed out that rigid adherence to the parity price formula set up in the original act was apt to work to the disadvantage of producers themselves. Under the amendments this possibility is increased in three ways.

¹⁹ The AAA and many agricultural writers have placed unwarranted emphasis upon the loss of the export market for hog products. See, for example, *The Corn-Hog Problem* (C-H 1), AAA. The fact is overlooked that the increase in the population of the United States has almost entirely offset the decline in exports since the immediate post-war years so that per capita consumption has remained quite constant since 1923. (See the chart on p. 14.) If exports had been maintained at 1919-23 levels thereafter, by 1923 per capita consumption would have been down to immediate pre-war levels.

In the first place, the height of this measuring stick has been increased by the addition of interest and taxes to the formula.²⁰ In the second place, the amendments still imply that benefit payments are not to be considered in determining the relation of farm prices to the measuring stick—"parity" prices. Congress indeed reaffirmed its belief in the "reasonableness" of the latter regardless of the level of consumers' income by the changes it made in the section of the declaration of policy in which the "protection of the consumers' interest" was redefined. In the third place, sections providing for the collection of the processing taxes have been amended so that collection of the taxes is possible regardless of the relation between average farm price and fair exchange value. This change was felt to be necessary largely because of the temporary advance in prices of many agricultural products occasioned by the drought of 1934. But the provisions are now incorporated in the statutes so that revenue to finance a continued or additional reduction in supplies may still be collected, even if the high prices grow out of a control program instead of a fortuitous cause like the drought.

If producers hold firmly to the belief that "parity" prices for livestock constitute a legitimate objective, the AAA may find it difficult to attempt any modifications of this objective even though it is believed that such a modification would, in the long run at least, be in the interests of producers themselves. Farmers at the present time do not generally feel that "parity" prices for hogs are desirable, but the continued emphasis on such prices

²⁰ This now makes a difference of about three points in the index of the cost of things farmers buy. (In 1932 it would have made a difference of twelve points.) For hogs it raises fair exchange value an additional 22 cents—in 1934-35 from \$9.12 to \$9.34 per hundredweight.

in all the publicity of the AAA may in time make farmers feel that they are entitled under all conditions to "parity" prices for their livestock. Solely from their own point of view, producers should hesitate greatly before supporting a program calling for reductions in supply large enough to cause any very large shift in consumers' demand for pork. For a short period of time a large reduction may not have any permanent ill effects; but over a longer period it seems probable that reductions large enough to bring about "parity" farm prices would sooner or later result in an actual decline in the gross income from hog production. Just how much of a reduction in hog supplies can be made without eventually reacting to the disadvantage of producers themselves is difficult if not impossible to determine. Perhaps it is not more than 10 per cent, but when consumers' incomes are low, a 10 per cent reduction in supply will not result in "parity" prices to producers. The sooner this is generally recognized the better it will eventually be for American hog producers.

Whether a modified objective which minimizes the "parity" price formula represents sound public policy is a question beyond the scope of this book. It will be discussed as part of an appraisal of the Agricultural Adjustment Act and its effects upon agriculture and society as a whole in a final volume in this series which will appear in 1936.

APPENDIXES

APPENDIX A
CORN-HOG REDUCTION CONTRACT¹

(AAA form No. CH-8, to be sent to Washington after it has been executed by the producer.)

Stamp Contract Number Above

Puruant to the Agricultural Adjustment Act, approved May 12, 1933,
as amended

....., hereinafter referred to as "the producer,"
(Type or print name on line above—same as signature)

post-office address,,,
(Rural route number) (Box number)

.....
(Post office)

.....
(State)

{ owning
renting for cash }² and operating in 1934 a farm known as the
{ renting on shares }

..... farm, consisting of acres, situated

..... from on
(Miles and direction)

.....
(Town)

Road, in Township of County,

State of, hereby offers to enter into a contract with the Secretary of Agriculture (hereinafter referred to as "the Secretary") upon the terms and conditions hereinafter set forth. Mailing of the Secretary's acceptance shall cause this offer to become a binding contract. The corn year and the hog year

¹ Members of, or delegates to, Congress cannot participate in the benefits of these contracts because of the provisions of Title 18, Sec. 204, and Title 41, Sec. 22, of the U. S. Code.

² Strike out words not applicable.

referred to herein as 1934 shall be the period December 1, 1933, to November 30, 1934, inclusive. The years 1932 and 1933 shall cover corresponding 12-month periods.

I. PERFORMANCE BY PRODUCER

The producer shall:

1. Reduce the acreage planted to field corn (hereinafter referred to as "corn") in 1934 on the farm described above (hereinafter referred to as "this farm") not less than 20 per cent below the adjusted average acreage planted to corn for 1932 and 1933 on the land now in this farm (hereinafter referred to as the "1932-33 average corn acreage"). The producer may, in 1934, retire from corn production as many acres in excess of such 20 per cent as he may desire, but corn reduction payment hereunder shall be made only on a number of acres retired from corn production pursuant to this contract not in excess of 30 per cent of such 1932-33 average corn acreage, unless otherwise authorized by the Secretary. The acres on which corn reduction payment will be made (hereinafter referred to as the "contracted acres") shall be marked for identification as the Secretary may direct.

2. Reduce in 1934 the number of hog litters farrowed on this farm and farrowed by hogs owned by him not located on this farm (hereinafter referred to as "1934 litters") 25 per cent below the adjusted annual average number of litters owned by him when farrowed in 1932 and 1933 (hereinafter referred to as "1932-33 litters"); and reduce the number of hogs produced for market from such 1934 litters 25 per cent below the adjusted annual average number of hogs produced for market from such 1932-33 litters.

3. Not increase on this farm in 1934 above 1932 or 1933, whichever is higher: (a) The total acreage of crops planted for harvest, plus the contracted acres; (b) The acreage planted to each crop for sale, designated as a basic commodity in the act; (c) The total acreage of feed crops other than corn and hay; (d) The number of any kind of livestock other than hogs designated as a basic commodity in the act (or a product of which is so designated) kept on this farm for sale (or the sale of product thereof). And not increase the number of feeder pigs bought in 1934 above the adjusted average number for 1932 and 1933.

4. Not increase in 1934 the aggregate corn acreage on all other land owned, operated, or controlled by him which is not covered by a corn-hog reduction contract above the average acreage for such land for 1932 and 1933; and not have any vested or contingent interest in hogs located on land not owned or operated by him.

5. Use or permit to be used the contracted acres only as may be prescribed by administrative rulings. Unless otherwise prescribed such acres shall not be used except for planting additional permanent pasture; for soil improving and erosion preventing crops not to be harvested; for resting or fallowing the land; for weed eradication; or for planting farm wood lots.

6. Permit entry by agents of corn-hog control associations and of the Secretary to this farm and to any land owned, operated, or controlled by him, and access to records, regardless of where located, pertaining to the production or sale by the producer of corn or hogs and other "basic" commodities, and to furnish location of all land upon which the producer raises corn or hogs, and the producer expressly waives any right to have such records kept confidential.

7. Not sell or assign, in whole or in part, this contract or his right to or claim for reduction payments under this contract, and, not execute any power of attorney to collect such payments or to order that any such payments be made. Any such sale, assignment, order, or power of attorney shall be null and void.

8. Operate this farm throughout 1934, except as exempted by administrative ruling.

9. Conform to and abide by regulations and administrative rulings (which are and shall be a part of the terms of this offer and of this contract) heretofore or hereafter prescribed by the Secretary or his authorized agents or agencies relating to corn-hog reduction contracts.

II. PERFORMANCE BY SECRETARY

The Secretary shall:

10. Upon such proof of compliance with the terms of this contract as the Secretary may require, pay:

A. CORN REDUCTION PAYMENT.—For each contracted acre, 30 cents per bushel of adjusted estimated yield of corn, to be paid as follows: The pro rata share of the administrative ex-

penses of the corn-hog control association for the above-named county will be paid to the association, and the remainder will be paid as indicated in Part V hereof, in two installments: 15 cents per bushel as soon as practicable after this contract is accepted by the Secretary, and 15 cents per bushel, less pro rata share of expenses, on or after November 15, 1934.

B. HOG REDUCTION PAYMENT.—\$5.00 per head on 75 per cent of the adjusted annual average number of hogs produced for market from 1932-33 litters, to be paid as follows: The pro rata share of the administrative expenses of the corn-hog control association for the above-named county will be paid to the association, and the remainder will be paid as indicated in Part V hereof, in three installments: \$2.00 per head as soon as practicable after this contract is accepted by the Secretary, \$1.00 per head on or about November 15, 1934, and \$2.00 per head on or about February 1, 1935, less pro rata share of expenses to be deducted from one or more of these payments. If the number of hogs from 1934 litters marketed before, and held for future marketing on January 1, 1935 is in excess of the number to which the producer has agreed to reduce, there may be deducted from such payment \$20.00 per head on each or any of the hogs in excess of such number. In lieu of such deduction or any part thereof the Secretary may require a corresponding part of such excess to be disposed of as he may direct.

11. Without limitation of any right or remedy conferred by law or this contract, be entitled to terminate this contract if he determines (and his determination shall be final and bind the other parties hereto) that there has been a material misstatement in any of the statements made by the producer in this contract or in connection therewith, or any non-compliance by the producer with any term hereof or with any pertinent regulation or administrative ruling. Thereafter no further payments shall be made hereunder, and any payments theretofore made shall be refunded to the Secretary. To secure payment of such refund the Secretary shall have a lien, to the extent of their respective interests, on corn and on hogs now or in the future owned by each or any of the parties obligated to make such a refund.

III. BASIS FOR DETERMINING REDUCTIONS IN PRODUCTION, AND PAYMENTS

12. The producer represents:

TABLE I.—FARM ACREAGE

| For corn give all acres <i>planted</i> in the respective years, for all other crops give acres <i>harvested</i> | Acres 1933 (A) | Acres 1932 (B) | 1932-33 average (C) |
|---|----------------|----------------|---------------------|
| 1. Total acres all land in this farm..... | | | |
| 2. All field corn..... | | | |
| 3. Wheat for grain (winter, spring, durum)..... | | | |
| 4. Oats for grain (include oats fed unthreshed)..... | | | |
| 5. Barley and rye for grain (include hogging off)..... | | | |
| 6. Grain sorghum (kafir, milo, etc.)..... | | | |
| 7. Soybeans and cowpeas..... | | | |
| 8. All tame hay (include alfalfa)..... | | | |
| 9. Total acres of other crops, not listed above* | | | |
| 10. Wild hay..... | | | |
| 11. Idle crop land..... | | | |
| 12. Land used for pasture only..... | | | |
| 13. Land in woods, waste land not pastured..... | | | |
| 14. Land in roads, lanes, buildings and feed lots..... | | | |
| 15. Total (items 2 to 14, inclusive)..... | | | |
| 16. Total crop acres (items 2 to 11, inclusive)..... | | | |
| 17. Sown to winter wheat in fall..... | | | |
| Special conditions (double cropping, losses, etc.)..... | | | |

* If this includes any cotton, tobacco, or rice list acres of same separately below on margin.

TABLE II.—CORN UTILIZATION

| (Bushel = 56 lb. shelled corn, 72 lb. ear corn) | 1933 | | 1932 | |
|---|-------|---------|-------|---------|
| | Acres | Bushels | Acres | Bushels |
| 1. Harvested for grain..... | | | | |
| 2. Hogged off..... | | | | |
| | | Tons | | Tons |
| 3. Cut for silage or fed green..... | | | | |

LIVESTOCK UNDER THE AAA

TABLE III.—HISTORY OF FIELDS DESIGNATED AS CONTRACTED ACRES

| | | FIELD 1 | |
|------|----------------|------------------|--|
| Year | Acres..... | | |
| | Soil type..... | | |
| | Crop | Total production | |
| 1933 | | | |
| 1932 | | | |
| 1931 | | | |
| 1930 | | | |
| 1929 | | | |

| | | FIELD 2 | |
|------|----------------|------------------|--|
| Year | Acres..... | | |
| | Soil type..... | | |
| | Crop | Total production | |
| 1933 | | | |
| 1932 | | | |
| 1931 | | | |
| 1930 | | | |
| 1929 | | | |

| | | FIELD 3 | |
|------|----------------|------------------|--|
| Year | Acres..... | | |
| | Soil type..... | | |
| | Crop | Total production | |
| 1933 | | | |
| 1932 | | | |
| 1931 | | | |
| 1930 | | | |
| 1929 | | | |

TABLE IV.—CONTRACTED CORN ACRES AND PRODUCTION THEREON

| | Producers figures (A) | County Com- mittee ^a (B) | Adjusted ^a (C) |
|---|-----------------------------|--|------------------------------|
| 1. 1932-33 average corn acreage..... | | | |
| 2. Number of contracted acres..... | | | |
| 3. Percent of 1932-33 average corn acreage (item 2 ÷ item 1)..... | | | |
| 4. Estimated yield of corn per acre of con- tracted acres..... (bushels) | | | |
| 5. Total production of contracted acres (item 2 × item 4)..... (bushels) | | | |

^a Not to be filled in by producer.

TABLE V.—1932-33 HOG PRODUCTION AND CONTRACTED REDUCTION FOR 1934

| Special conditions bearing on any of items below: | Producers figures | | | | County committee ² | | | Adjusted ³ | |
|--|-------------------|-------|---------|-------|-------------------------------|------|---------|-----------------------|---------|
| | 1933 | | 1932 | | 1933 | 1932 | Average | 1932 | Average |
| | Spring* | Fall† | Spring* | Fall† | † | † | † | † | † |
| 1. Litters owned by producer when farrowed..... | | | | | | | | | |
| 2. Hogs raised from these litters—total..... | | | | | | | | | |
| (a) Already sold for slaughter..... | | | | | | | | | |
| (b) Already sold as stockers, feeders, or breeders..... | | | | | | | | | |
| (c) Already slaughtered for use on farm..... | | | | | | | | | |
| (d) To be slaughtered for use on farm..... | | | xxx | xxx | | xxx | | xxx | |
| (e) To be sold..... | | | xxx | xxx | | xxx | | xxx | |
| (f) Retained for breeding purposes..... | | | | | | | | | |
| 3. Total of items 2 (a), 2 (b), 2 (c), 2 (e), 2 (f)..... | | | | | | | | | |
| 4. Deduction for death losses (15 per cent of 1933 fall pigs)..... | xxx | | | | | | | | |
| 5. Hogs produced for market (item 3 minus item 4)..... | | | | | | | | | |
| 6. 1934 maximum production for market (75 per cent of item 5)..... | | | | | | | | | |
| 7. Number of feeder and stocker hogs purchased..... | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx | xxx |
| 8. Number of such hogs (item 7) now on hand..... | | | | | | | | | |

* Not to be filled in by producer. * Spring farrow—Dec. 1 to June 1. † Fall farrow—June 1 to Dec. 1.

† Totals for the respective years.

Were hogs produced for market listed above produced *on this farm*: in 1932? in 1933?

IV. PARTICIPATION BY LANDLORD

(This section to be filled in if producer as tenant rents all or part of this farm on shares)

13. Under the 1934 lease of this farm the:

- (a) Cash rent paid is \$, for:
- (b) Division of grain crops is
- (c) Division of hog proceeds is

14. The landlord agrees to be bound by all of the terms of this contract as if therein named as the producer, and without limitation of the foregoing the landlord agrees not to increase in 1934 the aggregate corn acreage on all other land owned, operated or controlled by him in 1934 not covered by a corn-hog reduction contract, nor his production of hogs in 1934 not under such a contract, above the respective annual averages for 1932 and 1933; provided, however, the landlord shall not be responsible for hog production on this farm unless receiving part of the hog reduction payment hereunder, nor for the producer's production of corn or hogs on land in which the landlord has no interest.

V. FIRST SIGNATURE BY PRODUCER (AND LANDLORD)

15. The undersigned represent that no change in the lease or tenure of this farm has been or will be made for 1934 to prevent tenants from obtaining in 1934 the share of the payments hereunder that they would receive if such payments were divided in proportion to the division of the corn crop and hogs on this farm in 1933 or to the division of the proceeds of such corn and hogs; and that the only changes in 1934 from the 1933 lease or tenure are as follows:

16. The statements contained herein are true to the best of the knowledge and belief of the undersigned, who represent that they include all owners (except where farm is rented for cash) of said farm and all lessees.

The undersigned by executing this contract applies for membership in the corn-hog control association for the county in which this farm is located.

3. Adjusted average yield of corn per acre of contracted acres (item 4-c, Table IV) bushels.
4. Adjusted total production of corn on contracted acres in 1934. (item 2 \times item 3 above) bushels.
5. Total corn acreage in 1934 on this farm is not to exceed acres.
6. Gross corn reduction payment (item 4 above \times 30 cents) \$.....

B. HOG REDUCTION PAYMENT AND PRODUCTION:

1. Adjusted 1932-33 litters (item 1, Table v) litters
2. Adjusted annual average number of hogs produced for market, 1932-33 (item 5 of Table v) hogs.
3. 1934 maximum production for market (75 per cent of item 2 above) from not to exceed litters hogs.
4. Gross hog reduction payment (\$5 per head \times item 3 above) \$.....

We recommend that the Secretary of Agriculture enter into a corn-hog reduction contract with the producer on the basis of such facts.

Signed, Signed, Signed,
 (County Corn-Hog Allotment Committee)
, 193
 (Date)

VII. ACCEPTANCE BY PRODUCER AND LANDLORD OF CORRECTED AND ADJUSTED FIGURES

18. The undersigned hereby accept corrections and adjustments of the corn acreage, yield and production, and of the hog litter and production figures, and of the payments, and of the installments in the foregoing contract.

..... Producer,, 193
 (Witness to producer's signature) (Signature) (Date)

..... Landlord,, 193
 (Witness to landlord's signature) (Signature) (Date)

..... Landlord,, 193
 (Witness to landlord's signature) (Signature) (Date)

CORN-HOG REDUCTION CONTRACT 325

Do Not Write in Space Below

CERTIFICATE OF ADMINISTRATIVE OFFICER

Administratively approved for first installment as follows:

| | |
|---------------------|-----------------|
| Corn payment | \$ |
| Hog payment | \$ <u>.....</u> |
| Total payment | \$ |

Date Sig.
*Administrative Officer, Payment Unit,
Corn-Hog Section.*

CERTIFICATE OF COMPTROLLER

Audited and approved for first installment as follows:

| | |
|---------------------|-----------------|
| Corn payment | \$ |
| Hog payment | \$ <u>.....</u> |
| Total payment | \$ |

JOHN B. PAYNE, *Comptroller,*

By
Auditor.

Date

Paid by:

| | |
|----------------|-----------------|
| Check No. | \$ |
| Check No. | \$ |
| Check No. | \$ <u>.....</u> |
| Total | \$ |

On Treasurer of the United States in favor of payee or payees named above.

APPENDIX B

DETAILS OF THE 1934 CORN-HOG REDUCTION CAMPAIGN

The 1934 corn-hog reduction campaign was the first major undertaking of the Agricultural Adjustment Administration in connection with livestock, and was perhaps the most extensive of any commodity program initiated during the two years immediately following the passage of the Agricultural Adjustment Act. In the course of its progress a wide variety of economic and administrative problems had to be met and resolved. Altogether, the details then to be determined upon were probably greater than those of any later period. This first campaign, therefore, serves well to illustrate the detailed routine and organization necessary to carry out the objectives of the act.

ADMINISTRATIVE ORGANIZATION

At the apex of the administrative structure used to carry out the 1934 corn-hog reduction program were the Corn-Hog Section of the Agricultural Adjustment Administration and the Federal Extension Service. In each state, either the extension director (or his nominee), or a corn-hog committee of which the director was one of the three or four members, was placed in charge of the work by the Corn-Hog Section.¹ Representatives of local farm groups, in addition to outstanding individuals not identified with any particular group, were appointed to these state committees. The committee form of administration was devised because some AAA officials and advisers believed that it was the best way to get the co-operation of all farm groups—particularly those who for one reason

¹ Responsibility was placed in the hands of a state corn-hog committee in the nine important Corn Belt states (all but Wisconsin). In all the other states, the extension director or his nominee was in charge.

or another were antagonistic toward the Extension Service or the Farm Bureau. These state committees were continued as part of the permanent administrative organization (see the chart on page 44). Twelve regional representatives, many of them "borrowed" from the state or federal extension service, were appointed to act as liaison officers between headquarters in Washington and the state organizations.

Every major corn-hog state was divided into a number of districts and a "district supervisor" assigned to each.² Counties in turn were divided into communities, and each community usually had from three to seven community committeemen. In the minor producing states the set-up was much less formal; in many cases most of the work was done by the county agent, and frequently no committeemen were appointed.

The temporary county committeemen were elected in some states and appointed in others. In Nebraska and in some Iowa counties, for example, they were elected by producers at county or community meetings, and the election later confirmed by the state corn-hog committee. In Illinois the county committeemen were nominated by the county agent and appointed by the state corn-hog committee. In other states the county agent consulted with local farm leaders before making his recommendations to the state committee. In still others the state corn-hog committeemen directly appointed the county committee after conferring with local leaders and the county agent. In most states the selection of the community committeemen was left either to the county committee or to the county committeemen representing the com-

² The term "supervisor" was applied to all state extension men, frequently "specialists" in some production or marketing field, who were pressed into service during the corn-hog campaign. Iowa had for several months 22 of these corn-hog supervisors; Nebraska, 10; Illinois, 9; and Minnesota, 7. In Iowa there was for a time a parallel group of "corn-hog fieldmen" appointed by the state corn-hog committee to co-operate with the 22 extension supervisors.

munity in question. Only an occasional community or county nominee refused appointment. In Iowa, both county and community committeemen were nominated and frequently appointed before it was definitely understood that they would be paid for their services. Extension work in the community had in the past commonly been conducted through the services of unpaid "local leaders," and it was generally supposed that committeemen would not be paid. This seems to have resulted in the appointment of a somewhat more conscientious and perhaps more enthusiastic group of committeemen than otherwise might have been the case.

In most Corn Belt states, temporary committeemen were "on the job" by the middle of January 1934. The 75,000 temporary committeemen appointed to help carry out the initial phases of the 1934 corn-hog program were expected to do the lion's share of the work until the local county control associations were organized. The federal and state extension services were to be used primarily as a vehicle for disseminating information from the headquarters at Washington to local committeemen. In practice, most of the responsibility for obtaining contract applications as well as for presenting the economic background unavoidably fell upon the extension service. This does not minimize the contribution of the temporary committeemen. It is difficult to see how the program could have been conducted without them, at least in the Corn belt, unless the county extension force had been greatly expanded or paid employees of the AAA had been sent out to do the job. Either of these alternatives *might* have been less expensive, but would have violated a cardinal principle of the AAA that, to the fullest extent possible, farmers were to run their own show.

CONTRACT APPLICATION PROCEDURE

The original procedure for obtaining contract applications contemplated a succession of county or community

meetings with producers. At the "educational" meetings the "economic background" was to be presented. At the "explanatory" meetings the contract and associated documents were to be explained. At the "sign-up" meetings the contract applications were to be obtained. In Iowa and Missouri this procedure was followed and the educational meetings were held in December 1933. In most other states the educational and explanatory meetings were usually combined. This was due (1) to a delay in receiving charts, printed matter, and other materials necessary to conduct the educational meetings; and (2) to hesitation on the part of some states to initiate the corn-hog campaign until they were quite certain they could follow along immediately with the next step.³ In states where corn and hogs were not of first importance, the educational and explanatory meetings were combined to save expense. Few meetings of any kind were held in minor states, interested producers simply being "signed up" by the county agent at his office.

The meetings attended by the producers were the last of a series designed to diffuse the information from Washington to every eligible corn-hog producer. In all states in which corn and hog production was important, county agents and sometimes county and community committeemen attended state (or district) meetings at which the information they were to carry to the producer was presented to them by the extension staff, state corn-hog committeemen, or representatives of the AAA. In most states the district supervisors spent a large part of their time in the field meeting with and assisting county agents and county committeemen. The district supervisors usually met weekly with the "office staff" to thresh out or pass on to the AAA problems encountered in the field, and to learn what new developments had transpired. These conferences were usually attended by

³ This hesitancy was due to the difficulty some states encountered when the wheat campaign was prematurely initiated.

the state committeemen, and when possible by a representative of the AAA. Supplementing these personal contacts was an enormous volume of written and telegraphic correspondence.

Attendance of producers at the meetings at which the economic background was presented and the contract and associated documents were explained was large, and interest keen.⁴ Some observers reported more interest in the "philosophy" and less in the financial aspects of the program than was the case in the wheat campaign. This appears to have been most true of the central part of the Corn Belt; in other regions much less attention was paid to the "economic background." Most of these all-day meetings were conducted by the county agent, though often a member of the state extension service or a member of the state corn-hog committee was available to make at least part of the presentation. Usually, a meeting of this kind was scheduled in each community, though occasionally county-wide meetings were held. The first part of the discussion was based on information contained in the "educational" publications of the Corn-Hog Section,⁵ mimeographed releases of the Federal Extension Service, and information obtained at state or district meetings.

The second and major part of the discussion centered around the contract, the administrative rulings, the statement of supporting evidence, and other associated documents.⁶ These documents were supposed to have been

⁴ The 4,500 educational-explanatory meetings held in Kansas, Minnesota, Missouri, and South Dakota were attended by over 400,000 persons, mostly farmers. Nearly 550,000 farmers in these states grew corn in 1930, according to the U. S. Census. Many farmers attended more than one meeting.

⁵ These were: *The Corn-Hog Problem* (C-H 1); *Analysis of the Corn-Hog Situation* (C-H 2); and *What the Adjustment Program Offers Corn-Hog Producers* (C-H 10).

⁶ The complete list comprised: *Sample Corn-Hog Reduction Contract* (C-H 8-b); *Preliminary Work Sheet* (C-H 13); *Producers' Statement of Supporting Evidence* (C-H 14); *Map of Farm and Contracted Acres*

mailed to the producer a week or so prior to the explanatory meeting.⁷ In many cases, however, they were distributed at this meeting. The county agent, with some assistance from committeemen, explained the purpose of the various forms and the more important administrative rulings.⁸ The most effective way of doing this was to transfer the data for an actual farm to the several forms. Many of the questions raised by the producer at these meetings had to be referred to state headquarters or Washington for answer. In most states, these meetings were held in January, February, and the first half of March 1934.

Following these educational and explanatory meetings, "sign-up" meetings were held at which producers made formal application for a corn-hog contract.⁹ The sign-up procedure adopted at these meetings varied widely from state to state and even from county to county within a state. The suggested plan was to hold a series of sign-up meetings within the county, perhaps

(C-H 16); and *Directions for Filling in C-H 13, C-H 14, and C-H 16* (C-H 17).

⁷ One of the first jobs of the county agent and local committeemen was to prepare a mailing list of "eligible" producers. This was not always done and frequently was not done very thoroughly.

⁸ The county agent and the county committeemen had attended a similar school conducted by a district supervisor and a state committeeman, but in a great majority of the cases most of the responsibility of explaining these documents was left to the county agent, and, if he was present, the district supervisor.

⁹ One of two "triplicate copies" (C-H 8-b) of the contract was used as an application form. The "first signature" of the producer to this contract form really constituted an application. Producers had to sign the contract form a second time indicating acceptance of adjustments made in it, before it was sent to the Secretary of Agriculture for acceptance. In an effort to speed up the distribution of benefit payments an "early payment" rider was developed by the AAA. Producers signing these "early pay" contracts agreed to accept all adjustments thereafter made in the contract. It was hoped that these contracts could go through for immediate payment of the first instalment of the benefit payments before the adjustments were made, and that any overpayment to the producer could be deducted from the second and third payments.

several in the same community on the same day, with county committeemen in charge and community committeemen assisting—the county agent circulating between the meetings as a “trouble shooter.”¹⁰ Perhaps the most common method in the Corn Belt was to sign up a township at a time. Usually several points (anywhere from two to ten) were selected in the township, and two or more trained committeemen stationed at each point. In some cases several trouble shooters, including the agent and perhaps a supervisor or representative of the state corn-hog committee, circulated among these meetings. The next day the whole force moved into another township. This was the common procedure in Iowa. In Illinois, specially trained teams of from five to seven men, from two to four teams in a county, made the rounds of the townships. Usually four of the men were county committeemen and the others trained machine operators and “checkers.” The duties of each member of the team were carefully differentiated, and the producer and his contract proceeded down the “assembly line” until the contract, completed and checked, came out at the end. A somewhat similar procedure was followed in Minnesota, except that in many counties the team consisted of Civil Works Administration workers.

Very few producers arrived at the application sign-up meeting with the contract and supplementary forms filled out as they were supposed to have been. This greatly increased the amount of work to be done at the application meeting and materially slowed down the progress of the campaign. The sign-up meetings had

¹⁰ Committeemen had previously attended a training school to familiarize themselves with the details of the contract and the method of conducting the sign-up. The suggested sign-up procedure was outlined in *Directions for Filling in the Corn-Hog Reduction Contracts* (C-H 27). There was also available *Questions and Answers* (C-H 28), as well as a large volume of supplementary material from federal and state offices containing further suggestions and explanations.

started by the middle of January in Iowa, but were not concluded until May in many states, in spite of official closing dates around the end of March. In fact, because other difficulties delayed the progress of the campaign, contract applications were accepted until well into the summer. The care and accuracy with which committeemen completed and checked the forms varied greatly even between adjoining counties. Moreover, it varied with the ability and attitude of the county agent, the extension supervisor, the district and state committeemen, and the state extension service.

All producers were expected to apply at regular meetings. Naturally, some producers for one reason or another failed to do so. The original instructions of the Corn-Hog Section indicated that all producers who had failed to sign contracts should be interviewed during a "clean-up" campaign by temporary committeemen and either a signed application or certain basic information about their corn and hog production obtained. This procedure was suggested so that every producer would have explained to him the advantages of co-operating and be given an opportunity to do so. This was no doubt an important consideration, but another important reason for this canvass was to get basic production data to aid in establishing county quotas. (See page 336.) Considerable confusion existed as to whether the Corn-Hog Section meant that every producer of hogs and corn be visited, regardless of the size of these enterprises, or whether only eligible producers be canvassed.¹¹ States in minor corn-hog areas pointed out that the expense (which was to be borne by local contract signers) made such a canvass prohibitive. On February 5 the instructions were modified to require the canvass of all producers who had farrowed two or more litters in the

¹¹ Prior to Jan. 29, 1934, producers with an average of two litters or less in 1932 and 1933 were ineligible.

spring of 1933, or planted ten or more acres of corn.¹² Even this revised procedure was felt to be too expensive in many minor areas. Consequently a month later instructions were again revised, and the canvass as outlined above was made to apply only in counties where the average acreage of corn for grain per farm reporting grain in 1929 exceeded 15 acres, or the number of farms with two or more litters in the spring of 1930 exceeded 300. In other counties a list of eligible non-signers with two or more sows or ten or more acres of corn was to be prepared, and only farmers on this list interviewed. Standard procedure required the temporary organization to carry the campaign through the "clean-up" stage. Every co-operator would then have an opportunity to vote in the election of the permanent organization.

Before the next step—appraisal of contracted acres—was undertaken, producers who had signed contract applications organized a permanent county corn-hog control association. Standard procedure, which required that this be done after the "clean-up" had been completed, was followed in most states. In Wisconsin, however, the permanent organization was formed after contract application meetings, and permanent committeemen conducted the clean-up. In South Dakota the permanent organization was set up after or during the explanatory meeting, and permanent committeemen handled both the contract application meetings and the clean-up campaign.¹³ As a matter of fact, almost everywhere a great majority of the temporary committeemen were re-elected to the permanent organization, hence there was

¹² In the Cotton Belt the producers visited were limited to those who sold live hogs for commercial or local slaughter.

¹³ Voters were required to sign a contract in blank or to indicate that they intended to sign, prior to the election, but the real work of filling in forms, etc. was done after the permanent committeemen had been elected. South Dakota had followed this plan during the wheat campaign and felt that it was more satisfactory than the procedure suggested by the Corn-Hog Section.

but little change in personnel and no break in the continuity of development and leadership such as might have resulted if the "turnover" in committeemen had been large.

The first task of the permanent organization was to appraise the corn yield of the contracted acres. Community committeemen visited every field offered as contracted acres, and estimated the yield to be expected in 1934, under ten-year (1924-33) average growing conditions. Schools of instruction were held for these appraisers at which an attempt was made to estimate the ten-year average corn yield in each community on the basis of the ten-year average for the county. Committeemen almost invariably over-estimated the yield in their own community, and attempts to iron out this difficulty were not always successful. As an independent check on the relative productivity of the contracted acres, appraisers were supposed to state the yield expected in 1934 as a percentage of the expected yields on all fields in corn on the farm in 1932 and 1933. These instructions were not clearly understood, and the "percentage productivity" estimate was in most cases of little value.

Most appraisals were made in March, April, and May 1934. In Iowa and Missouri they were largely made in February; in some minor states, not until June. Concurrent tasks of the permanent committeemen were to make sure that either a contract application or a "work sheet" showing his base period production of corn and hogs was obtained from every producer in the county,¹⁴ and to check contracts and associated documents for "mechanical" and "factual" errors. Mechanical errors could be, and to a surprising degree were, removed by the development of a systematic method of checking and rechecking all contracts and supporting forms. A com-

¹⁴ This of course was only necessary in those counties in which a complete survey of non-signers was required.

prehensive "check sheet" was usually prepared for this purpose. In some states much of the checking for mechanical errors was done by office help rather than by committeemen.

CHECKING OVERSTATEMENT

The data on corn acreages and yields and litters farrowed and hogs saved and marketed in 1932 and 1933 which were expected to be used in checking the production claims of corn-hog contract applicants were, in so far as possible, taken from the census, assessors', and rural carrier survey reports in late 1933 and early 1934. No further steps could be taken until the production data from the contract applications in every county in the state were available.¹⁵

To expedite the summarizing of the contract data in the counties "county tabulators" were appointed in all major corn-hog counties.¹⁶ These tabulators, who started work as soon as an appreciable number of contracts had come in from the contract application meetings, checked the contracts for arithmetical errors and general "rea-

¹⁵ A very considerable proportion of the delay in releasing the county quotas which caused so much dissatisfaction was due to the necessity of having contract data available prior to the determination of the state and county quotas. Since the data from every county in the state had to be forwarded to the state board of review, checked by it, and perhaps sent back to the county for correction before the board could start its analysis, the late counties (of which there were always a few) held up not only their own contracts but those of every other county in the state.

¹⁶ The AAA appropriated \$200,000 for the salaries of these tabulators. Some counties exhausted their allocation from this fund before tabulations were completed and the local association had to bear the remaining expenses. Most of these tabulators, who were appointed after competitive examination, were local people—occasionally farmers, but more frequently bank clerks or high school and college graduates. The examination stressed quickness and accuracy in handling figures. "State statisticians" made appointments in the order of rank as indicated by the competitive examination, but the county agent could indicate the persons he felt were best qualified. In some cases the grades were so uniformly low that a second competitive examination was held. One tabulator was appointed for each three to five hundred contracts.

sonableness"; returned those in error or unreasonable to the community committee for investigation and correction; and transferred the pertinent data from the contracts to a listing sheet.¹⁷

The original instructions provided that only the totals for each township be forwarded to the state headquarters, together with the analysis sheets (C-H 22) on which pertinent averages and ratios had been calculated by the county tabulator. In practice, however, the original listing sheets were sent instead. The state headquarters checked the township totals for accuracy, and then prepared the analysis sheets. The accuracy of the work done by the county tabulators varied greatly. Some listing sheets were neatly and legibly prepared and contained few arithmetical errors, if any. Many others had a considerable number of mistakes, and not a few were in such bad shape that hardly a single line would check and hardly a single column was added correctly.¹⁸

Though under the general supervision of the county agent, the tabulators worked more particularly under the direction of "junior statisticians" attached to the state offices of the Division of Crop and Livestock Estimates for the duration of the application and adjustment phases of the corn-hog program. These men, the first of whom were appointed in December 1933, not only checked the work of the tabulators but also assisted county agents and county committeemen in checking contracts for errors and eliminating overstatement prior to listing. They later assisted in establishing county quotas,

¹⁷ C-H 21. It was originally proposed to obtain 61 items from Tables I to V of the contract, but experience in the field resulted in some changes in the items tabulated. When necessary, three sets of sheets were used to list the contracts from each township. "Early pay" contract data were listed on one set, the "regular pay" on another, and non-contract data on a third.

¹⁸ In states in which there were only a few contracts, they were forwarded to the state office for listing. This procedure was also followed in minor corn-hog counties in major producing states.

and in this work their knowledge of local conditions in the county was often a useful supplement to or check on the overstatement indicated by the statistical procedure.

A board of review was appointed by the Corn-Hog Section in each state¹⁹ to determine the state and county contract quotas and (later) to release contracts for transmittal to Washington for payment when the overstatement had been eliminated. (See the chart on page 44.) The personnel of this board of three or four consisted of the official in charge of the state office of the Division of Crop and Livestock Estimates (commonly referred to as the state statistician), one or two members of the state extension service or the state college, and a farmer, the latter frequently a member of the state corn-hog committee.

The methods used by the state boards of review in estimating the amount of overstatement and establishing county quotas depended in part on the kinds of "check" data available, in part on the importance of corn and hog production, and in part on the degree of participation by producers. The methods used in determining quotas for litters, "hogs for market," corn acreage, and corn yield likewise varied.

Litters farrowed. In states where a state contract quota was set, three methods of estimating the amount of overstatement were commonly used. The first was to deduct from the preliminary estimate of the Division of Crop and Livestock Estimates²⁰ the estimated production of non-signers, and then to compare the result with the

¹⁹ A single board, however, handled the six New England states. There was also but one for Maryland and Delaware, and one for Nevada and Utah.

²⁰ Preliminary estimates of hog production (litters farrowed and hogs produced) were prepared for about 30 states. In some states it was found that these preliminary estimates were somewhat low. One of the bases used in estimating hog production is hog marketings; and since there is a lag of a year between them, 1933 hog production estimates could not at the time be checked against hog marketings.

total reported by contract signers. This method could be used only in states where data on the production of non-signers (that is, non-contract data) were reasonably complete or could be corrected for incompleteness. Non-contract data were available in all or parts of 16 states. The second method was to compare the production reported by farmers who had answered the semi-annual pig survey questionnaire with the production reported by identical farmers on contract applications. The third was to compare the total claimed by contract applicants with the figure obtained by first adjusting (on the basis of the pig survey reports) producers' claims for litters farrowed in the fall of 1933, and then estimating 1932-33 production on the basis of the ratio between the number of spring and fall litters in 1933 and the ratio between 1932 and 1933 litters. One or more of these methods were used in perhaps 30 states. Many states, especially those with state census or assessors' reports, supplemented these methods in different ways, the most common being to substitute these reports for the pig survey reports in the "identical" comparison with contract applications.

In the states where more than one method was used the overstatement indicated often differed materially. It was then necessary to decide, often on the basis of non-statistical evidence, which approximation was most nearly in accord with the facts. The AAA and the state boards of review usually resolved doubts in favor of the producer, so that most though not all of the state contract quotas established by these methods appear to be slightly larger than the actual base period production of the contract applicants.

The next step in these states was to distribute the state quota among the counties. This distribution was based upon the relative amount of overstatement in the county totals of the contract applicants. This varied materially from one county to another even within the same state,

the percentage of overstatement tending to increase as the importance of hog production decreased. In some states with a wide variation in the importance of hog production, the applicants' claim by counties ranged from 110 to 210 per cent of the county quota. The relative overstatement by counties was frequently based largely upon a comparison of the production reported by farmers who had returned rural carrier pig survey reports with the production claimed by identical farmers on their contract applications.²¹ When the number of statements from these two sources that could be matched on a county basis was too small to be dependable, the same procedure was followed on a crop reporting district basis.

In those states where the quotas were established on the basis of contract inspection, the "state quota" was simply the sum of the county quotas. Indeed, litter quotas were of little importance in these states and no doubt were frequently obtained by dividing the hogs allowed on the contracts by the average number of pigs raised per litter.²²

"Hogs for market" quotas. When the "state quota" method of determining the litter quota was used, the "hogs for market" quota was usually obtained by multiplying the number of litters by the number of pigs raised per litter, making a deduction for the hogs used for farm slaughter, and adding the allowance made for (1) sows sold to the government during the emergency hog marketing campaign (four hogs were added to the base for each sow sold) and (2) new producers who were permitted to raise two litters. In most instances the average number of pigs raised as reported by contract applicants

²¹ Where assessors' reports or state census figures were available these were used instead of, or in addition to, the rural carrier reports.

²² The importance of litter quotas declined still further after the provision of the contract producers to reduce the number of litters farrowed was rescinded. Few, if any, quotas in the minor states had been established prior to that time.

did not differ greatly from the number reported "saved" in the semi-annual pig surveys, when the latter were adjusted slightly to allow for death loss between the time they were reported saved and the time they were marketed (or slaughtered for home use). Contract applicants reported more hogs slaughtered or to be slaughtered for home consumption from hogs farrowed in 1932 than in 1933. In determining the "hogs for market" quota, a number of hogs equal to the 1932 farm slaughter was deducted from total hog production in both 1932 and 1933.

When the inspection method of quota determination was used, the "hogs for market" quota was established on the basis of an analysis of the "supporting evidence" of hogs sold. This analysis was essentially similar to that made by county allotment committees in major hog counties in examining contracts for overstatement.²⁸

Corn acreage quotas. Both the "state quota" and the "inspection" method were used to determine corn acreage quotas, but frequently the former was "built up" by estimating the overstatement by counties or crop reporting districts, rather than determined for the state as a whole and then "broken down" for the counties. The preliminary state estimates of corn acreage were probably somewhat more accurate than those for hog production and were available for all states, but the former were less useful because in all but eleven states the corn acreage of applicants represented considerably less than half the corn acreage of the state and in only four states—Illinois, Iowa, Nebraska, and South Dakota—did it represent 75 per cent or more of the total. When the acreage of non-applicants represented more than 20 or 25 per cent of the total, it became difficult to estimate it with any degree of accuracy.

A comparison of the corn acreage claimed on applica-

²⁸ See pp. 343-52.

tions with other reports of corn acreage by the same applicants was, therefore, most commonly used. In a number of states assessors' reports were available for this purpose. In other states the corn acreages reported on the wheat or cotton contracts of corn-hog contract applicants were used. In one instance, rural carrier reports were used.

The indicated corn acreage overstatement was much less than the overstatement on litters and hog numbers, and ranged from 3 to 5 per cent in the major corn states. Indeed, for the United States as a whole it was but 3.6 per cent. This was about half the cotton acreage overstatement and much less than the wheat acreage overstatement. The corn acreage quotas, like the litter quotas and for the same reasons, were probably somewhat over the actual though unknown production of applicants. This appears to have been most true in the minor producing states; there it was difficult to obtain a dependable estimate of corn acreage overstatement by comparing the few claims of contract applicants with other reports of the same applicants, and recourse had to be had to ratios of corn land to crop land or to all land in farms. Such ratios were indeed used to a considerable extent even in the major producing states.²⁴

Corn yield quotas. The corn yield quotas presented a somewhat different problem. On the one hand, the corn yield estimates of the Division of Crop and Livestock Estimates were considered quite satisfactory even on a county basis. On the other hand, a second variable entered into the determination of the corn yield allowed contract signers. The fact that producers rented specific fields on which the yields might be above or below average had to be considered as well as the yields of non-

²⁴ In estimating the amount of corn acreage overstatement and establishing quotas, allowances had to be made for administrative rulings which permitted individual producers to use a larger base acreage than the 1932-33 average.

contract signers. In most major producing counties such a large proportion of the farms were under contract that little allowance was necessary for the yield of non-signers. Moreover, the evidence indicated that, despite the protestations of the community committeemen who acted as appraisors, on a county-wide basis producers tended to rent average acres.

The county yield estimates of the Division of Crop and Livestock Estimates were considered so satisfactory that they were made available prior to appraisals. In spite of the fact that community committeemen knew what their average county yield from 1924 to 1933 was, and had been told that their appraisals for the county as a whole would have to conform closely to it, appraised yields reported on the applications ranged in the major producing states from 5 to 15 per cent above the 1924-33 average.²⁷ In the minor corn producing states, appraised yields ran materially more than this above the ten-year average, but there seems good reason for believing that in many of these states the contracted areas were materially better than the state average in yields per acre. This fact was allowed for in the yields permitted on completed contracts for these states.

Most county contract quotas for litters, hogs for market, and corn acres were released by state boards of review between April 15 and June 15, 1934. In a few states, notably Iowa, considerable delay in releasing the county quotas was entailed by the necessity of first making a preliminary analysis of, and quotas for, "early pay" contracts.

ADJUSTING PRODUCTION CLAIMS

The ability, ingenuity, and diplomacy of county allotment committees, state boards of review, district supervisors, and junior statisticians were taxed to the utmost

²⁷ In the Dakotas the appraised yields as reported on the listing sheets were slightly below the ten-year average.

by the problems encountered in equitably removing the overstatement in the corn and hog production claims of contract applicants. The methods used and the success attained varied greatly. In one major corn-hog state barely half the overstatement indicated by the contract quota was removed, in spite of the fact that the indicated overstatement was relatively small. Indeed, the corn yields allowed on completed contracts were actually slightly higher than the original yield appraisals of community committeemen and materially higher than the ten-year average. In several other Corn Belt states, applicants' claims with a much larger indicated overstatement were successfully and equitably scaled down to the quotas. Differences of this kind can hardly be entirely accounted for by errors in the quotas and greater care in obtaining accurate statements on contract applications. They must be laid to variations in the desire and ability of local authorities, and ultimately state boards of review, to resist local pressure.

Corn acreage adjustments. Relatively little difficulty was encountered in "adjusting" claims for corn acreage overstatement. In the first place, it was usually relatively small. In the second place, many state boards were allowed to approve the contracts from individual counties if they did not exceed the original quota by more than 2 or 3 per cent. In many of these states this excess was offset by counties in which acreage on the adjusted contracts did not come up to the original county quota. In a few states, however, corn acreage claims that in the aggregate exceeded the state quota were approved and accepted.

Most of the overstatement removed was taken out by means of a flat percentage cut applied to all contracts. This cut, as it turned out, was made largely "on paper." Most of the corn had been planted before county quotas were available and individual contracts adjusted. Pro-

ducers were told that they could conduct their farming operations on the basis of the information in their application, if they felt certain that it was correct. Even those producers who were doubtful of the accuracy of their reports had no intention of admitting it, and so practically everyone planted corn up to the limit allowed by the application—or, rather, planted corn on an area which he thought to be equal to the maximum allowed. Even when adjustments reduced the number of “permitted” corn acres, producers were allowed to complete these contracts without first destroying the “excess” corn. Later on the drought came along to destroy it for them, or contract provisions were modified so that they were able to comply without destroying it, or they found that the fields they had planted to corn were smaller than they had supposed.²⁶ In a few cases, county allotment committees were able to demonstrate that the corn acreage contract quota was too low (perhaps because the corn acreage of non-signers had been over-estimated), and to obtain some upward readjustment in it.

One reason for the relatively small amount of overstatement in the corn acreage base was that community committeemen in many states checked the 1933 corn acreage claimed against corn stubble at the time appraisals were being made. No doubt this resulted in some adjustments prior to “listing,” with the result that the acreage shown on the listing sheets did not represent the original claims of producers.

²⁶ Nevertheless, the most common type of non-compliance with the 1934 corn-hog contract was an “overage” of acres in corn, and the “paper” adjustment was undoubtedly a contributing cause. The probability that this would happen was increased when instructions were issued on June 8, 1934 that permitted the producer, unless he had already contracted 30 per cent of his base acreage, to change the percentage of his corn land contracted (if adjustments had been made in his corn base) so that he could still obtain as large a corn rental payment as before. This procedure reduced still further the number of acres he was permitted to plant.

Corn yield adjustments. The appraised corn yields on the "contracted" acres as shown on the listing sheets ranged, in the most important corn producing states, from 5 to 15 per cent above the ten-year (1924-33) average. In many of these states the yield finally allowed was no greater and frequently less than the ten-year average for the state. Most of the overstatement in yields was removed by a flat cut applied to all contracts, except in those counties where the allotment committee found evidence that one section of the county had been over-appraised relative to the others. In these cases, some townships were cut more than others. Both original appraisals and adjustments tended to result in high-yield fields being appraised too low and low-yield fields too high. Only the most experienced appraisers were able to estimate unusually high and low yields correctly. Moreover, committeemen knew the average county (or township) yield and tended to make individual appraisals conform to it. Some committeemen, indeed, felt that the farmer with poor land was in greater need of help than the farmer with good land, and appraised accordingly. Finally, though this was not important, appraisers were prohibited by the Corn-Hog Section from making any appraisals in excess of 65 bushels per acre. Most of the adjustments in yield data were made prior to the release of the other county quotas, and no serious difficulty was experienced in making them.

"Hogs for market" adjustments. The real controversy between committeemen and boards of review, and the outstanding adjustment difficulty, developed in connection with the overstatement in the hogs raised for market claimed by producers. Allotment committeemen found, when they really began to examine the contracts and supporting evidence²⁷ minutely, three major causes of overstatement.

²⁷ Contract applicants were required to submit a *Statement of Sup-*

1. *Hogs farrowed prior to December 1, 1931 though marketed in 1932 or 1933.* This constituted a prolific source of overstatement. In the first place, many producers failed to appreciate that it was the time the hogs were farrowed that counted, and not the time that they were marketed—that only hogs farrowed between December 1, 1931 and November 30, 1933 were eligible to be included in the “hogs raised” base. This misconception was accentuated by the *Statement of Supporting Evidence* form, which was so prepared that the emphasis was placed on date of marketing rather than on date of farrowing. This statement was supposed to classify hogs marketed as (1) from 1932 litters, (2) from 1933 litters, and (3) feeder pigs. This statement likewise showed the hogs from 1932 and 1933 litters still on hand, as well as the number of feeder pigs on hand.²⁸ Neighbors were supposed to certify to the latter two items, and sales were to be substantiated by sales receipts, signed statements by buyers, farm account books, etc. These receipts obviously did not show farrowing dates or whether the hogs sold were raised, or bought as feeder pigs and fattened. No evidence, consequently, could be considered absolutely conclusive. Allotment committees therefore had the twofold task of deciding what was satisfactory evidence of *marketing*, and whether the hogs so marketed were *farrowed* during the base period. Most allotment committees sooner or later classified the evidence in some manner. The more careful and systematic committees frequently first checked all the evidence for

porting Evidence which purported to show the disposition of the hogs raised in 1932 and 1933, and to attach to it sales receipts and similar evidence.

²⁸ This form turned out to be deficient in several respects, though this was in part due to delays in the progress of the campaign. No provision was made on the form, for example, to report separately the number of pigs farrowed after Dec. 1, 1933, or the number of feeder pigs bought after that date. If these forms had been used around Dec. 1, 1933 they would have been reasonably though not entirely satisfactory.

accuracy. Some of them visited or corresponded with all persons or agencies who had signed supporting evidence receipts for producers, checking the claims made by producers against the records of the individual or firm. At the same time, committees obtained any additional information that might guide them in deciding whether the producers' claims were legitimate. This included information on sales by classes, grades, and weights, as well as on "dockage" and prices paid.

After producers' claims had been checked for accuracy, and all the additional information possible obtained, allotment committees proceeded to remove from the contracts all hogs that the evidence clearly indicated had been farrowed before December 1, 1931. Most of these were 1931 fall pigs marketed during the summer and early fall of 1932. In many states the extension service prepared a table showing the average weight of pigs at various ages as a guide to local committees.

Obviously hogs averaging 200 pounds when sold in April 1932 must have been farrowed before December 1, 1931, but what about hogs of the same weight marketed September 1, 1932? Owing to the exigencies of the situation, many of these hogs were doubtless removed, though efficient farmers could undoubtedly market hogs farrowed after December 1, 1931 at such weights on September 1, 1932. This procedure obviously penalized the more efficient producers.

Scattered all through 1932 and 1933 marketings, and even among hogs reported as "remaining on farms," were sows, stags, and boars that were farrowed before December 1, 1931. These were very difficult to discover and remove. In at least one minor state where contracts were inspected by representatives of the Corn-Hog Section, as a result of adjustment difficulties, producers' claims in 1932 and 1933 were arbitrarily reduced by the number of sows farrowing in each year.

2. *Feeder pigs.* Feeder pigs, of course, belonged only in the base of the producer who farrowed them. The first step in removing them from the base of producers who fattened them was to cross-check the statements of buyers and sellers of feeder pigs. Most counties eventually did this for all purchases and sales within the county, and some states did it for all intrastate movement of feeder pigs. The difficulty of cross-checking was greatly increased when the pigs moved across county and state lines, through several dealers, or through a stockyards market.²⁹ The second step was to deduct from the "hogs for market" claimed by the producer a proportionate share of all death losses. This was necessary because many producers reported that all death losses occurred in the feeder pigs bought and none in the hogs raised.³⁰

3. *"Fictitious" hogs.* In this group were hogs claimed on the contract but supported by no evidence, or by falsified evidence. Many cases of the latter came to light, although they formed a small percentage of the total. Many allotment committees inspected evidence with magnifying glasses to make sure that it had not been tampered with. Perhaps the most common change made was to place a one before the left digit in the number of head (that is, raise 7 to 17, or 14 to 114) and a two before the left digit in the figure showing the weight (that is, raise 980 to 2,980 or 3,500 to 23,500).³¹ Other prac-

²⁹ Feeder pigs shipped interstate are supposed to be immunized against cholera and disinfected. Many states have similar regulations applying to intrastate shipments. No attempt is made to enforce these requirements on pigs moved by truck, however, so that the records of immunization were of little help in cross-checking feeder pig purchases and sales.

³⁰ This was particularly troublesome in the cases of garbage hog feeders, who both bought and raised large numbers of hogs and had death losses as high as 50 per cent.

³¹ An unusually barefaced attempt of this kind was made by an Iowa farmer who added 100 hogs and 20,000 pounds to each of four receipts. This would have "inflated" his benefit payments by \$1,500. Fortunately for him it was discovered by a committeeman who noticed a difference in the color of the ink, for a Colorado farmer who "got by" with an almost

tices were to alter the date, the description of the animals, or the weights in a wide variety of ways.

In some cases hog claims not supported by evidence of any kind had a legitimate right to be included in the base. This was particularly true in districts adjacent to large manufacturing centers. Industrial workers in these cities bought relatively large numbers of hogs, especially roasting pigs, for cash direct from farmers. It was usually impossible to get any supporting evidence for these sales. A considerable number of hogs slaughtered on the farm and sold dressed to consumers or retailers was likewise eliminated because of the difficulty of obtaining adequate supporting evidence of these sales.³²

Two minor causes of overstatement caused some difficulty. Hogs slaughtered for consumption on the farm were not part of the "hogs for market" base which the farmer agreed to reduce. Applicants indicated that they intended to slaughter considerably fewer hogs from 1933 litters than they had actually slaughtered from 1932 litters, thus leaving more hogs for market. State boards of review and local allotment committees went on the assumption that farm slaughter from 1933 litters would equal that from 1932 litters, and so increased the allowance for farm slaughter from 1933 litters accordingly.

Some small amount of overstatement was due to the inclusion of pigs farrowed after December 1, 1933 in the base. Most farmers' hogs were counted and certified by neighbors between January and April 1934. In some cases all hogs on the farm were counted, and no notation

equal amount of altered evidence quickly landed in the federal penitentiary at Leavenworth, Kan. He was sentenced Sept. 29, 1934 to 18 months' imprisonment.

³² The Corn-Hog Section prepared a special form for the purpose, requiring processing tax receipts as evidence of sales of 1933 hogs. If signed statements by purchasers were not available for 1932, the amount allowed was not permitted to exceed the amount allowed for 1933.

was made of either the pigs farrowed after December 1, 1933 or feeder pigs purchased after that date.

In examining the evidence supporting producers' claims, most allotment committees, either consciously or unconsciously, classified it in some manner. Those committees who did the job in the most systematic and careful manner usually classified the evidence as good, fair, questionable, or valueless. "Good" evidence included sales slips showing complete details of the transaction signed by reputable firms, packing houses, and commission agents, and bona fide farm account records showing the same details. "Fair" evidence consisted of evidence of sale which contained less detail or was obtained at a time other than when the sale was made, etc. "Questionable" evidence contained little or no detail, was signed by hired men, truckers, or other individuals or firms known to possess no adequate records. In the "valueless" group were usually included all evidences of sale that had been altered, that stated nothing more than that so many hogs had been sold in 1932 or 1933, or that were signed by persons known to have signed other false statements.

Hog claims supported by no evidence or "valueless" evidence were the first to be thrown out. Most claims supported by first-class evidence were included *in toto*.³³ Hogs supported by class 2 and class 3 evidence bore the brunt of the remaining cut when no more hogs obviously or most probably ineligible could be found on individual contracts. Usually a small flat cut, 10 to 20 per cent, was applied to all hogs supported by "fair" evidence and cuts up to 50 per cent or more on those hogs supported by "questionable" evidence. This procedure was approved by the Corn-Hog Section when the cuts were adjusted to the class of evidence, provided all other possibilities had been exhausted. Nevertheless, a consider-

³³ But see p. 116.

able number of counties did make small flat cuts of one kind or another. Many counties cut all hog claims 1 or 1.5 per cent and occasionally as much as 2.5 per cent.³⁴

COMPLETING CONTRACTS AND MAKING BENEFIT PAYMENTS

When producers' claims had been adjusted to the county quota or by an amount acceptable to the state board of review, they were released by the board for typing and preparation for final signatures.³⁵ Original campaign plans proposed to obtain final signatures at a second series of sign-up meetings. In the late spring, when it seemed to the AAA and extension service officials that considerable difficulty might be encountered in obtaining final signatures, plans were laid to sign producers individually.³⁶ As it turned out, no difficulty was experienced regardless of the method used, and sign-up meetings were common. Most final signatures were obtained in June, July, and August 1934, but the date varied widely from state to state and even within the same state.³⁷ Corn-hog contracts were received in Washington in greatest volume in August and September, though the first batch was received on April 10 and contracts continued to straggle in until the end of the year.

The contracts were received by the Mailing and Receiving Unit of the "check factory"³⁸ and checked against

³⁴ An Iowa county reduced every contract claim by one hog in order to remove the last 2,000 "excess" hogs.

³⁵ Preparing the contracts for final signatures involved making an original and two carbon copies of the pertinent data from the original application copy. Typing and checking 1,500 or 2,000 of these contracts frequently took ten days or two weeks. Some counties ran into difficulty by prematurely typing contracts.

³⁶ Many state extension officials confidently predicted that from 15 to 25 per cent of the applicants would not accept their adjusted contracts.

³⁷ In Minnesota some final signatures (to "early pay" contracts) were obtained as early as the first week in February, and the last group of contracts was not completed until the first week in December.

³⁸ The Rental and Benefit Audit Section of the Comptroller's Office. On July 1, 1934 the Contract Records Section of the Commodities Division

"transmittal" sheets approved by the state board of review. These transmittal sheets were supposed to show the adjusted figures of all contract applications and to enable the state board to make sure that the proper adjustments were made.³⁹ The state board's approval and the statistical data from the county committee, together with a random sample of a dozen contracts, were forwarded to the County Acceptance Unit of the Corn-Hog Section. This unit made sure that the articles of association and budget of the county control association and the bond of the county treasurer had been received and approved;⁴⁰ examined the sample contracts; and reviewed the statistical data to determine whether the county association had made the necessary adjustments before "accepting" the block of contracts and releasing them for general audit.⁴¹

The Computing Unit of the "check factory" next checked all field computations and made the necessary additional calculations and entries. When the amounts of all first benefit payments had been calculated, the contracts went to the Audit Unit where signatures, entries, and adherence to provisions and administrative rulings were checked. All suspended contracts then went to the Correspondence Unit and all approved contracts to the Machine Unit. In the latter the contract data were trans-

was merged with the Rental and Benefit Audit Section, and both were moved from the South Building of the Department of Agriculture to the old Post Office. These two changes naturally disrupted operations and slowed down the output for some time; but the consolidation of the two units eliminated considerable duplication and in the end speeded up the process of recording, auditing, and making payment on commodity contracts.

³⁹ Many counties did not consistently list the data from all applications, regardless of whether they were finally completed or not. This unfortunately limited considerably the analyses of production adjustments, overstatement, etc.

⁴⁰ By the County Associations Unit of the Corn-Hog Section.

⁴¹ When contracts and related data were not being handled, they were in the possession of the Files Unit of the Rental and Benefit Audit Section.

ferred to "punch cards,"⁴² the transfer verified, and the cards taken to a unit of the Disbursing Office of the Treasury Department. There one machine transferred the necessary data onto blank checks, another signed them for the Secretary of the Treasury, and a third re-wrote the data on an office form for audit. The checks were then sent to the treasurer of the county control association for distribution to farmers.⁴³

Suspended contracts went through a similar process when corrections or missing documents had been supplied by the county association. Corn-hog contracts and their accompanying legal documents were in far better shape than those of any other commodity. Less than 3 per cent had to be referred to the Correspondence Unit for correction, as contrasted with from 15 to 20 per cent of the cotton, wheat, and tobacco contracts. Petitions for contract changes were handled by the Adjustment Unit of the Rental and Benefit Audit Section unless they involved changes in the amount of benefit payments. Such cases were handled by the Claims Section of the Comptroller's Office. Requests for cancellation of contracts were handled by the Contract Cancellation Section.

COMPLIANCE

The Compliance Unit of the Corn-Hog Section was responsible for the general supervision of compliance and the development of methods, forms, and instructions.⁴⁴ The county allotment committees and the "super-

⁴² Electrically operated machines sorted, tabulated, and summarized the data on these punch cards.

⁴³ "Early pay" contracts and later the riders showing the adjustments made in these contracts were similarly handled, as were the compliance forms which formed the bases for disbursing the second and third payments.

⁴⁴ In May 1934, a Compliance Section was established in the Commodities Division to co-ordinate the compliance methods of the several commodity sections and, in co-operation with state directors of extension and the chiefs of commodity sections, appoint state compliance officers (to be known as commodities representatives). The activities of this section in

visors" appointed by them were responsible for the field work, however, and the Rental and Benefit Audit Section, together with several units of the Corn-Hog Section, was responsible for making second and third payments on the basis of the evidence furnished by the compliance forms.

The organization set up in the states by the AAA for overseeing the work of county allotment committees and supervisors in checking compliance was far from uniform. In some states a commodities representative was put in charge of the checking of compliance for all commodities; in others, the job was left to the state director of extension (or his appointee). In some states the commodities representative was assisted by a number of district supervisors especially appointed for the purpose and paid directly by the AAA; in others extension agents or specialists acted as district compliance supervisors.

In most counties the local supervisors who actually made the inspections were appointed by the allotment committee, though in a few counties the inspections were made by allotment committeemen themselves. Sometimes these supervisors checked compliance on farms in their own community, sometimes in a neighboring community. In most counties the allotment committee appointed a county compliance supervisor, frequently a member of the allotment committee. These county supervisors checked the work of local supervisors and the work of both was in turn checked by the district supervisors. State supervisors were authorized to and sometimes did request a recheck of part or all of the con-

1934 were limited because wheat compliance was well under way prior to its organization. Commodities representatives have been appointed in some states, while in others compliance work is supervised by the state director of extension. Little or nothing was done to co-ordinate the compliance procedure for the several commodities, except with respect to the issuance of general instructions on methods of measurement, and the conditions under which such measurements might be dispensed with. The section, as such, was continued when the AAA was reorganized in January 1935.

tracts in a county when they were not satisfied with the original check. This was likewise the prerogative of the Compliance Unit.⁴⁵ Though the federal and state extension services bore a large part of the responsibility of instructing local supervisors in compliance procedure, the most workmanlike job of actual checking seems to have been done in those states where it was administered by an organization set up for that specific purpose.

Supervisors visited signers' farms, made their necessary inspections, recorded their findings on a *Proof of Compliance for Second Payment* form (C-H 54), and compared them with the pertinent data from the contract previously transcribed to the compliance form in the association office. Each supervisor usually inspected from 40 to 50 farms. So far as possible at the time of inspection the supervisors made the calculations necessary to determine whether the producer had complied or not. These calculations were later checked in the office. In some counties all calculations were made in the office. If the producer had complied with all the acreage provisions of the contract, and if the number of hogs sold or to be sold did not exceed the market quota by more than 5 per cent,⁴⁶ a *First Certification of Compliance* (C-H 53) was prepared. When signed by the producer, landlord (if any), supervisor, community committeemen, and the members of the county allotment committee, this was forwarded to Washington. If contract violators elected to accept the "penalty," a *Certification for Second Payment in Cases of Partial Compliance* form⁴⁷ was pre-

⁴⁵ The original plan called for a systematic "spot check" of the work of local supervisors, but this procedure was abandoned where visual inspection was substituted for actual measurements.

⁴⁶ This "overage" was permitted to take care of "normal" death losses between the times of the first and second checks of compliance. The inspection likewise included a check on feeder pigs and hogs for home use.

⁴⁷ The term "partial compliance" rather than "non-compliance" was used by the Corn-Hog Section as being more accurate in most cases and having less invidious implications.

pared and forwarded by the allotment committee to the state compliance office. The state compliance offices checked these forms, in some cases also checking the inspection; and when all or almost all of them had been received and checked, forwarded them to Washington.

Before any second and third instalments of benefit payments could be made, even to producers who had been certified as in complete compliance, each contract signer's pro rata share of the local administrative expenses had to be determined.

The County Association Unit of the Corn-Hog Section estimated the total local association expense by adding to the expenses submitted to date: (1) expenses incurred but not at the time submitted; and (2) a budget of expenses not yet incurred but estimated as necessary to complete the 1934 program. These items were furnished by the associations in response to an inquiry by the Corn-Hog Section. When first payment had been made on 95 per cent (or more) of the contracts in a county, the total benefit payments due on these paid contracts were calculated.⁴⁸ The relation that the estimated association expenses bore to total benefit payments was then determined, and the percentage (multiplied by 2) thus obtained was applied to the second corn payment to show the deduction to be made from it. When the rate of deduction had been thus determined, the certification forms were released for auditing and payment by the Receiving Unit of the Rental and Benefit Audit Section. A similar procedure was followed in determining the deductions to be made from the third hog payment. Counties submitted a revised estimate of expenses which was frequently somewhat lower than the first so that the percentage deduction for the third hog payment was frequently a point or more lower than the percentage deduction on the second corn payment.

⁴⁸ By multiplying the first corn payment by 2 and the first hog payment by 2.5, and adding the two items thus obtained.

When contract signers owned, operated, or controlled non-contract farms, it was necessary to check the aggregate corn and hog production on these farms before any second and third benefit payments could be made. Contract signers with non-contract farms in two or more counties had been required to furnish the Multiple Farms Unit of the Corn-Hog Section with a list of their non-contract farms showing the base period corn acreage (and for stock-share landlords the number of hogs produced for market and the number of feeder pigs bought in 1932 and 1933).⁴⁹ These lists were forwarded to the appropriate county allotment committees, who checked both the claims with respect to 1932-33 production and actual production in 1934. When the committees' reports showed no violations the compliance certification forms were released for payment. When the reports showed non-compliance, an appropriate number of certifications were held up until proper penalties had been assessed. In general, the unit did not hold up all the certifications on the contract farms of multiple land holders while awaiting reports from allotment committees, but only on a number of contracts equal to the number of non-contract farms of each landlord. Originally, it was intended to hold up the second payments of landlords only while awaiting reports on non-contract farms. Actually, however, payments to tenants were delayed for some time until a procedure for releasing them was finally evolved.⁵⁰

An additional operation was involved in making second and third payments to producers who had violated

⁴⁹ Considerable delay was caused because many landlords were slow in sending in lists or entirely neglected to do so. When all the non-contract land of the contract signer was in the same county as the land under contract, the whole job was handled by the county allotment committee.

⁵⁰ Payments to tenants and landlords were not delayed, of course, unless (1) certification on non-contract farms had not been received in Washington when the regular certification arrived or (2) aggregate corn acreage or hog production provisions had been violated. Landlords were responsible for aggregate corn acreage on non-contract farms regardless

one or more provisions of the contract and who had elected to accept penalties for them. The assessing of penalties took some time, and the development of the procedure for handling the forms in the Rental and Benefit Audit Section took some more, so that first payments on these certifications were not made until the end of April 1935.

In spite of the numerous modifications in the contract, ten major types of violation were recognized: (1) corn acreage in excess of that permitted for 1934; (2) use of contracted acres other than authorized or permitted by the contract; (3) corn or grain sorghums planted pursuant to administrative rulings but prior to the date permitting such plantings; (4) increase of feed crop, total crop, or basic crop acreage; (5) non-compliance relative to filling silo; (6) non-compliance with aggregate provisions of contract relating to corn production; (7) violation of the provisions relating to production of hogs; (8) violation of feeder-pig provisions; (9) non-compliance with aggregate provisions of contract relative to hog production; (10) failure to operate farm throughout 1934.

In the case of the violation of any acreage provision, the amount of the deduction was obtained by multiplying the acres on which the violation occurred by the appraised corn yield on the contracted acres, and the resultant sum by the penalty rate. For unauthorized use of contracted acres and violation of the aggregate acres of corn on the non-contract farms of contract signers, the maximum rate was 45 cents; for other violations it was somewhat less. For violating the provisions relating to hog production, the maximum penalty was \$20 for each excess hog. The one exception to the regular "comply or cancel" alternatives of the original contract was the provision for a \$20 penalty on excess hogs.

of their leasing arrangements with the tenants on them, but were only responsible for the aggregate hog production on stock-share rented non-contract farms.

APPENDIX C

IMPORTANT BENEFIT PAYMENT AND PROCESSING TAX PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT, AS AMENDED AUGUST 24, 1935

PART 2. COMMODITY BENEFITS

GENERAL POWERS

Sec. 8 (1) Whenever the Secretary of Agriculture has reason to believe that:

(a) The current average farm price for any basic agricultural commodity is less than the fair exchange value thereof, or the average farm price of such commodity is likely to be less than the fair exchange value thereof for the period in which the production of such commodity during the current or next succeeding marketing year is normally marketed, and

(b) The conditions of and factors relating to the production, marketing, and consumption of such commodity are such that the exercise of any one or more of the powers conferred upon the Secretary under Sub-sections (2) and (3) of this section would tend to effectuate the declared policy of this title,

he shall cause an immediate investigation to be made to determine such facts. If, upon the basis of such investigation, the Secretary finds the existence of such facts, he shall proclaim such determination and shall exercise such one or more of the powers conferred upon him under Sub-sections (2) and (3) of this section as he finds, upon the basis of such investigation, administratively practicable and best calculated to effectuate the declared policy of this title.

(2) Subject to the provisions of Sub-section (1) of this section, the Secretary of Agriculture shall provide, through agreements with producers or by other voluntary methods,

(a) For such adjustment in the acreage or in the production for market, or both, of any basic agricultural commodity, as he finds, upon the basis of the investigation made pursuant to Sub-section (1) of this section, will tend to effectuate the

declared policy of this title, and to make such adjustment program practicable to operate and administer, and

(b) For rental or benefit payments in connection with such agreements or methods in such amounts as he finds, upon the basis of such investigation, to be fair and reasonable and best calculated to effectuate the declared policy of this title and to make such program practicable to operate and administer, to be paid out of any moneys available for such payments or, subject to the consent of the producer, to be made in quantities of one or more basic agricultural commodities acquired by the Secretary pursuant to this title.

(3) Subject to the provisions of Sub-section (1) of this section, the Secretary of Agriculture shall make payments, out of any moneys available for such payments, in such amounts as he finds, upon the basis of the investigation made pursuant to Sub-section (1) of this section, to be fair and reasonable and best calculated to effectuate the declared policy of this title:

(a) To remove from the normal channels of trade and commerce quantities of any basic agricultural commodity or product thereof;

(b) To expand domestic or foreign markets for any basic agricultural commodity or product thereof;

(c) In connection with the production of that part of any basic agricultural commodity which is required for domestic consumption.

(4) Whenever, during a period during which any of the powers conferred in Sub-section (2) or (3) is being exercised, the Secretary of Agriculture has reason to believe that, with respect to any basic agricultural commodity:

(a) The current average farm price for such commodity is not less than the fair exchange value thereof, and the average farm price for such commodity is not likely to be less than the fair exchange value thereof for the period in which the production of such commodity during the current or next succeeding marketing year is normally marketed, or

(b) The conditions of and factors relating to the production, marketing, and consumption of such commodity are such that none of the powers conferred in Sub-sections (2) and (3), and no combination of such powers, would, if exercised, tend to effectuate the declared policy of this title,

he shall cause an immediate investigation to be made to determine such facts. If, upon the basis of such investigation, the Secretary finds the existence of such facts, he shall proclaim such determination, and shall not exercise any of such powers with respect to such commodity after the end of the marketing year current at the time when such proclamation is made and prior to a new proclamation under Sub-section (1) of this section, except in so far as the exercise of such power is necessary to carry out obligations of the Secretary assumed, prior to the date of such proclamation made pursuant to this Sub-section, in connection with the exercise of any of the powers conferred upon him under Sub-sections (2) or (3) of this section.

(5) In the course of any investigation required to be made under Sub-section (1) or Sub-section (4) of this section, the Secretary of Agriculture shall hold one or more hearings, and give due notice and opportunity for interested parties to be heard.

(6) No payment under this title made in an agricultural commodity acquired by the Secretary in pursuance of this title shall be made in a commodity other than that in respect of which the payment is being made. For the purposes of this sub-section, hogs and field corn may be considered as one commodity. . . .

PROCESSING TAX

Sec. 9(a) To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as hereinafter provided. When the Secretary of Agriculture determines that any one or more payments authorized to be made under Section 8 are to be made with respect to any basic agricultural commodity, he shall proclaim such determination, and a processing tax shall be in effect with respect to such commodity from the beginning of the marketing year therefor next following the date of such proclamation. . . . The processing tax shall be levied, assessed, and collected upon the first domestic processing of the commodity, whether of domestic production or imported, and shall be paid by the processor. The rate of tax shall conform to the requirements of Sub-section (b). Such rate shall be determined by the Secretary of Agriculture as of the date the tax first takes effect, and the rate so determined shall, at such intervals as the Secre-

tary finds necessary to effectuate the declared policy, be adjusted by him to conform to such requirements. The processing tax shall terminate at the end of the marketing year current at the time the Secretary proclaims that all payments authorized under Section 8 which are in effect are to be discontinued with respect to such commodity. The marketing year for each commodity shall be ascertained and prescribed by regulations of the Secretary of Agriculture. . . .

(b) (1) The processing tax shall be at such rate as equals the difference between the current average farm price for the commodity and the fair exchange value of the commodity, plus such percentage of such difference, not to exceed 20 per centum, as the Secretary of Agriculture may determine will result in the collection, in any marketing year with respect to which such rate of tax may be in effect pursuant to the provisions of this title, of an amount of tax equal to (a) the amount of credits or refunds which he estimates will be allowed or made during such period pursuant to Section 15 (c) with respect to the commodity and (b) the amount of tax which he estimates would have been collected during such period upon all processings of such commodity which are exempt from tax by reason of the fact that such processings are done by or for a state, or a political subdivision or an institution thereof, had such processings been subject to tax. If, prior to the time the tax takes effect, or at any time thereafter, the Secretary has reason to believe that the tax at such rate, or at the then existing rate, on the processing of the commodity generally or for any designated use or uses, or on the processing of the commodity in the production of any designated product or products thereof for any designated use or uses, will cause or is causing such reduction in the quantity of the commodity or products thereof domestically consumed as to result in the accumulation of surplus stocks of the commodity or products thereof or in the depression of the farm price of the commodity, then the Secretary shall cause an appropriate investigation to be made, and afford due notice and opportunity for hearing to interested parties. If thereupon the Secretary determines and proclaims that any such result will occur or is occurring, then the processing tax on the processing of the commodity generally or for any designated use or uses, or on the processing of the commodity in the production of any

designated product or products thereof for any designated use or uses, shall be at such lower rate or rates as he determines and proclaims will prevent such accumulation of surplus stocks and depression of the farm price of the commodity, and the tax shall remain during its effective period at such lower rate until the Secretary, after due notice and opportunity for hearing to interested parties, determines and proclaims that an increase in the rate of such tax will not cause such accumulation of surplus stocks or depression of the farm price of the commodity. Thereafter the processing tax shall be at the highest rate which the Secretary determines will not cause such accumulation of surplus stocks or depression of the farm price of the commodity, but it shall not be higher than the rate provided in the first sentence of this paragraph.

(2) In the case of wheat, cotton, field corn, hogs, peanuts, tobacco, paper, and jute, and (except as provided in paragraph (8) of this sub-section) in the case of sugar cane and sugar beets, the tax on the first domestic processing of the commodity generally or for any particular use, or in the production of any designated product for any designated use, shall be levied, assessed, collected, and paid at the rate prescribed by the regulations of the Secretary of Agriculture in effect on the date of the adoption of this amendment, during the period from such date to December 31, 1937, both dates inclusive. . . .

[Sec. 9-b] (6) (A) Any rate of tax which is prescribed in paragraph (2), (3), (4), or (5) of this sub-section or which is established pursuant to this paragraph (6) on the processing of any commodity generally or for any designated use or uses, or on the processing of the commodity in the production of any designated product or products thereof for any designated use or uses, shall be decreased (including a decrease to zero) in accordance with the formulae, standards, and requirements of paragraph (1) of this sub-section, in order to prevent such reduction in the quantity of such commodity or the products thereof domestically consumed as will result in the accumulation of surplus stocks of such commodity or the products thereof or in the depression of the farm price of the commodity, and shall thereafter be increased in accordance with the provisions

of paragraph (1) of this sub-section but subject to the provisions of subdivision (B) of this paragraph (6).

(B) If the average farm price of any commodity, the rate of tax on the processing of which is prescribed in paragraph (2), (3), (4), or (5) of this sub-section or is established pursuant to this paragraph (6), during any twelve months' period ending after July 1, 1935 consisting of the two months immediately preceding and the first ten months of any marketing year—

(i) is equal to, or exceeds by 10 per centum or less, the fair exchange value thereof, or, in the case of tobacco, is less than the fair exchange value by not more than 10 per centum, the rate of such tax shall (subject to the provisions of subdivision (A) of this paragraph (6)) be adjusted, at the beginning of the next succeeding marketing year, to such rate as equals 20 per centum of the fair exchange value thereof.

(ii) exceeds by more than 10 per centum, but not more than 20 per centum, the fair exchange value thereof, the rate of such tax shall (subject to the provisions of subdivision (A) of this paragraph (6)) be adjusted, at the beginning of the next succeeding marketing year, to such rate as equals 15 per centum of the fair exchange value thereof.

(iii) exceeds by more than 20 per centum the fair exchange value thereof, the rate of such tax shall (subject to the provisions of subdivision (A) of this paragraph (6)) be adjusted, at the beginning of the next succeeding marketing year, to such rate as equals 10 per centum of the fair exchange value thereof.

(C) Any rate of tax which has been adjusted pursuant to this paragraph (6) shall remain at such adjusted rate unless further adjusted or terminated pursuant to this paragraph (6), until December 31, 1937, or until July 31, 1936, in the case of rice.

(D) In accordance with the formulae, standards, and requirements prescribed in this title, any rate of tax prescribed in paragraph (2), (3), (4), or (5) of this sub-section or which is established pursuant to this paragraph (6) shall be increased.

(E) Any tax, the rate of which is prescribed in paragraph (2), (3), (4), or (5) of this sub-section or which is established pursuant to this paragraph (6), shall terminate pur-

suant to proclamation as provided in Section 9(a) of this title or pursuant to Section 13 of this title. Any such tax with respect to any basic commodity which terminates pursuant to proclamation as provided in Section 9(a) of this title shall again become effective at the rate prescribed in paragraph (2), (3), (4), or (5) of this sub-section, subject however to the provisions of subdivisions (A) and (B) of this paragraph (6), from the beginning of the marketing year for such commodity next following the date of a new proclamation by the Secretary as provided in Section 9(a) of this title, if such marketing year begins prior to December 31, 1937, or prior to July 31, 1936, in the case of rice, and shall remain at such rate until altered or terminated pursuant to the provisions of Section 9 or terminated pursuant to Section 13 of this title.

(F) After December 31, 1937 (in the case of the commodities specified in paragraphs (2), (4), and (5) of this sub-section), and after July 31, 1936 (in the case of rice), rates of tax shall be determined by the Secretary of Agriculture in accordance with the formulae, standards, and requirements prescribed in this title but not in this paragraph (6), and shall, subject to such formulae, standards, and requirements, thereafter be effective.

(G) If the applicability to any person or circumstances of any tax, the rate of which is fixed in pursuance of this paragraph (6), is finally held invalid by reason of any provision of the Constitution, or is finally held invalid by reason of the Secretary of Agriculture's exercise or failure to exercise any power conferred on him under this title, there shall be levied, assessed, collected, and paid (in lieu of all rates of tax fixed in pursuance of this paragraph (6) with respect to all tax liabilities incurred under this title on or after the effective date of each of the rates of tax fixed in pursuance of this paragraph (6)), rates of tax fixed under paragraph (2), (3), (4), or (5), and such rates shall be in effect (unless the particular tax is terminated pursuant to proclamation, as provided in Section 9(a) or pursuant to Section 13) until altered by act of Congress; except that, for any period prior to the effective date of such holding of invalidity, the amount of tax which represents the difference between the tax at the rate fixed in pursuance of this paragraph (6) and the

tax at the rate fixed under paragraphs (2), (3), (4), and (5) shall not be levied, assessed, collected, or paid.

[Sec. 9] (c) For the purposes of Part 2 of this title, the fair exchange value of a commodity shall be the price therefor that will give the commodity the same purchasing power, with respect to articles farmers buy, as such commodity had during the base period specified in Section 2; and, in the case of all commodities where the base period is the pre-war period, August 1909 to July 1914, will also reflect interest payments per acre on farm indebtedness secured by real estate and tax payments per acre on farm real estate, as contrasted with such interest payments and tax payments during said base period; and the current average farm price and the fair exchange value shall be ascertained by the Secretary of Agriculture from available statistics of the Department of Agriculture. The rate of tax upon the processing of any commodity, in effect on the date on which this amendment is adopted, shall not be affected by the adoption of this amendment and shall not be required to be adjusted or altered, unless the Secretary of Agriculture finds that it is necessary to adjust or alter any such rate pursuant to Section 9(a) of this title. . . .

STATISTICAL TABLES

1. SUMMARY OF RESULTS OF 1934 CORN-HOG REDUCTION PROGRAM—CORN*

| Divisions and States | Contract Signers' Corn Base | | Average Corn Acreage, 1932-33 | Number of Contracts Accepted | Average 1932-33 Corn Acreage of Each Contract Signer | Number of Contracted Acres | Contracted as a Percentage of Base Acreage | Average 1924-33 Corn Yield (In bushels per acre) | Yield Allowed per Contracted Acre (In bushels) |
|---------------------------------|-----------------------------|----------------------------------|-------------------------------|------------------------------|--|----------------------------|--|--|--|
| | In Acres ^b | As Percentage of Average Acreage | | | | | | | |
| NORTH ATLANTIC | 78,667 | 3.6 | 2,203,500 | 5,920 | 13 | 14,016 | 17.8 | 38.0 | 38.4 |
| Maine..... | 30 | 0.2 | 16,500 | 7 | 4 | — | — | 39.7 | — |
| New Hampshire..... | 438 | 1.0 | 14,500 | 184 | 2 | 5 | 1.1 | 42.0 | 60.0 |
| Vermont..... | 2,270 | 3.6 | 63,500 | 545 | 4 | — | — | 41.3 | — |
| Massachusetts..... | 504 | 1.3 | 38,000 | 234 | 2 | 4 | .8 | 41.8 | 36.0 |
| Rhode Island..... | 15 | 0.2 | 9,500 | 10 | 2 | — | — | 40.4 | — |
| Connecticut..... | 433 | 0.8 | 53,500 | 92 | 5 | 20 | 4.6 | 40.3 | 34.7 |
| New York..... | 13,769 | 2.4 | 574,500 | 1,877 | 7 | 590 | 4.3 | 33.9 | 33.2 |
| New Jersey..... | 4,674 | 2.7 | 166,000 | 307 | 15 | 1,115 | 23.9 | 40.1 | 40.6 |
| Pennsylvania..... | 56,534 | 4.5 | 1,267,500 | 2,664 | 21 | 12,282 | 21.7 | 39.1 | 38.4 |
| EAST NORTH CENTRAL | 13,597,620 | 67.0 | 20,282,500 | 335,897 | 40 | 3,029,931 | 22.3 | 34.2 | 36.2 |
| Ohio..... | 1,997,868 | 58.8 | 3,398,500 | 64,404 | 31 | 452,308 | 22.6 | 35.4 | 37.3 |
| Indiana..... | 3,118,471 | 70.0 | 4,453,500 | 83,433 | 37 | 715,620 | 22.9 | 33.8 | 35.8 |
| Illinois..... | 7,094,632 | 80.3 | 8,838,500 | 120,808 | 59 | 1,625,469 | 22.9 | 34.9 | 36.3 |
| Michigan..... | 424,702 | 30.6 | 1,386,000 | 24,307 | 17 | 79,197 | 18.6 | 29.4 | 32.6 |
| Wisconsin..... | 961,947 | 43.6 | 2,206,000 | 42,945 | 22 | 157,337 | 16.4 | 33.0 | 36.0 |
| WEST NORTH CENTRAL | 35,688,403 | 77.7 | 45,919,000 | 607,298 | 59 | 8,518,848 | 23.9 | 26.8 | 27.5 |
| Minnesota..... | 3,586,534 | 73.3 | 4,895,500 | 79,574 | 45 | 802,455 | 22.4 | 31.1 | 31.7 |
| Iowa..... | 10,576,079 | 92.9 | 11,493,500 | 173,565 | 61 | 2,472,720 | 23.4 | 37.8 | 38.6 |
| Missouri..... | 4,313,855 | 69.1 | 6,245,500 | 107,998 | 40 | 1,080,114 | 25.0 | 26.2 | 25.5 |
| North Dakota..... | 794,468 | 58.0 | 1,369,000 | 19,726 | 40 | 173,794 | 21.9 | 19.2 | 17.4 |
| South Dakota..... | 4,109,333 | 97.8 | 4,200,000 | 59,164 | 69 | 1,045,045 | 25.4 | 17.8 | 17.0 |
| Nebraska..... | 7,878,940 | 74.8 | 10,537,500 | 88,600 | 89 | 1,860,218 | 23.6 | 23.2 | 23.8 |
| Kansas..... | 4,429,194 | 61.7 | 7,178,000 | 78,671 | 56 | 1,084,502 | 24.5 | 18.6 | 18.9 |

| | | | | | | | | | |
|----------------------------|--------------------|-------------------|-------------|------------------|-----------|-------------------|-------------|-------------|-------------|
| SOUTH ATLANTIC..... | 11,138,000 | 702,225 | 6.3 | 23,955 | 29 | 164,189 | 23.4 | 16.1 | 25.2 |
| Delaware..... | 146,000 | 7,559 | 5.2 | 230 | 33 | 1,890 | 25.0 | 27.4 | 33.1 |
| Maryland..... | 554,000 | 90,887 | 16.4 | 3,108 | 22 | 21,229 | 23.4 | 30.6 | 36.2 |
| Virginia..... | 1,533,500 | 231,228 | 15.1 | 10,551 | 29 | 54,900 | 23.7 | 22.0 | 29.4 |
| West Virginia..... | 455,000 | 44,999 | 9.9 | 2,169 | 21 | 10,324 | 22.9 | 26.3 | 34.9 |
| North Carolina..... | 2,357,000 | 107,977 | 4.6 | 4,091 | 26 | 23,378 | 21.7 | 18.1 | 26.3 |
| South Carolina..... | 1,614,500 | 94,165 | 5.8 | 1,644 | 57 | 22,218 | 23.6 | 13.6 | 17.5 |
| Georgia..... | 3,798,000 | 43,329 | 1.1 | 565 | 77 | 9,592 | 22.1 | 10.7 | 11.9 |
| Florida..... | 680,000 | 82,081 | 12.1 | 1,597 | 51 | 20,658 | 25.2 | 10.5 | 14.2 |
| SOUTH CENTRAL..... | 22,927,000 | 3,679,777 | 16.0 | 130,312 | 28 | 894,873 | 24.3 | 17.3 | 21.1 |
| Kentucky..... | 2,769,000 | 779,349 | 28.1 | 23,156 | 34 | 193,588 | 24.8 | 23.2 | 26.6 |
| Tennessee..... | 2,868,500 | 716,832 | 25.0 | 23,610 | 30 | 179,103 | 23.0 | 21.1 | 24.9 |
| Alabama..... | 3,127,500 | 123,543 | 4.0 | 2,833 | 44 | 28,219 | 22.8 | 12.8 | 13.2 |
| Mississippi..... | 2,402,000 | 16,553 | 0.7 | 256 | 65 | 3,886 | 23.5 | 15.0 | 18.5 |
| Arkansas..... | 2,023,000 | 200,056 | 9.9 | 11,034 | 18 | 45,424 | 22.7 | 16.1 | 20.7 |
| Louisiana..... | 1,229,500 | 23,102 | 1.9 | 481 | 48 | 5,676 | 24.6 | 14.5 | 16.9 |
| Oklahoma..... | 2,943,000 | 996,346 | 33.9 | 36,940 | 27 | 231,567 | 23.2 | 16.4 | 17.3 |
| Texas..... | 5,564,500 | 823,996 | 14.8 | 32,002 | 26 | 207,410 | 25.2 | 16.6 | 18.2 |
| WEST..... | 2,983,500 | 1,566,815 | 25.5 | 51,912 | 30 | 408,139 | 26.0 | 14.8 | 13.5 |
| Montana..... | 215,000 | 55,310 | 25.7 | 4,304 | 13 | 14,195 | 25.7 | 13.0 | 16.3 |
| Idaho..... | 52,500 | 20,590 | 39.2 | 9,544 | 2 | 2,603 | 12.6 | 38.0 | 34.7 |
| Wyoming..... | 223,500 | 163,597 | 73.2 | 3,067 | 53 | 41,574 | 25.4 | 13.8 | 14.3 |
| Colorado..... | 1,956,500 | 1,159,943 | 59.3 | 13,120 | 88 | 309,900 | 26.7 | 12.3 | 12.2 |
| New Mexico..... | 267,500 | 130,810 | 48.9 | 2,574 | 51 | 35,343 | 27.0 | 14.5 | 19.1 |
| Arizona..... | 41,000 | 2,435 | 5.9 | 334 | 7 | 536 | 22.0 | 16.4 | 23.7 |
| Utah..... | 20,500 | 3,466 | 16.9 | 2,752 | 1 | 343 | 9.9 | 25.7 | 25.0 |
| Nevada..... | 2,000 | 457 | 22.8 | 284 | 2 | 115 | 25.2 | 23.8 | 56.8 |
| Washington..... | 39,500 | 3,059 | 7.7 | 5,029 | 1 | 607 | 19.8 | 35.8 | 36.3 |
| Oregon..... | 68,000 | 21,372 | 31.4 | 6,123 | 3 | 1,714 | 8.0 | 32.2 | 35.9 |
| California..... | 979,500 | 5,776 | 5.9 | 4,781 | 1 | 1,209 | 20.9 | 31.0 | 34.2 |
| UNITED STATES..... | 105,453,500 | 55,313,507 | 52.5 | 1,155,294 | 48 | 13,029,996 | 23.6 | 25.2 | 28.6 |

* Estimates of average 1932-33 corn acreage are those of the Bureau of Agricultural Economics, U. S. Department of Agriculture. Other data were supplied by the AAA.

b Includes allowances made by administrative rulings for corn bases larger than the 1932-33 average.

2. SUMMARY OF RESULTS OF 1934 CORN-HOG REDUCTION PROGRAM—HOGS*

| Divisions and States | Number of Litters Farrowed | Litters Allowed under Contracts | | Number of Contracts Accepted | Average 1932-33 Litters of Each Contract Signer | Number of Hogs for Market Allowed on Contract | |
|---------------------------------|----------------------------|---------------------------------|-------------------------------|------------------------------|---|---|----------------------|
| | | Number ^b | Percentage of 1932-33 Litters | | | Total | Average per Contract |
| NORTH ATLANTIC | 205,000 | 97,666 | ° | 5,920 | 16 | 471,710 | 80 |
| Maine..... | 10,000 | 242 | ° | 7 | 35 | 1,340 | 191 |
| New Hampshire..... | 2,000 | 2,067 | ° | 184 | 11 | 11,669 | 63 |
| Vermont..... | 5,000 | 2,975 | ° | 545 | 5 | 20,879 | 38 |
| Massachusetts..... | 18,000 | 27,747 | ° | 234 | 119 | 126,212 | 539 |
| Rhode Island..... | 2,000 | 372 | ° | 10 | 37 | 1,440 | 144 |
| Connecticut..... | 5,000 | 2,929 | ° | 92 | 32 | 15,611 | 170 |
| New York..... | 41,000 | 14,292 | 35 | 1,877 | 8 | 85,009 | 45 |
| New Jersey..... | 18,000 | 27,276 | ° | 1,307 | 89 | 105,584 | 344 |
| Pennsylvania..... | 104,000 | 19,766 | — | 2,664 | 7 | 103,966 | 39 |
| EAST NORTH CENTRAL | 3,593 | 3,063,044 | 85 | 335,897 | 9 | 16,391,545 | 49 |
| Ohio..... | 756,000 | 629,217 | 83 | 64,404 | 10 | 3,319,210 | 52 |
| Indiana..... | 984,000 | 873,279 | 89 | 83,433 | 10 | 4,698,732 | 56 |
| Illinois..... | 1,302,000 | 1,157,195 | 89 | 120,808 | 10 | 6,006,075 | 50 |
| Michigan..... | 162,000 | 118,793 | 73 | 24,307 | 5 | 720,297 | 30 |
| Wisconsin..... | 389,000 | 284,560 | 73 | 42,945 | 7 | 1,647,231 | 38 |
| WEST NORTH CENTRAL | 6,953,000 | 6,060,851 | 87 | 607,298 | 10 | 30,644,476 | 50 |
| Minnesota..... | 911,000 | 709,784 | 78 | 79,574 | 9 | 3,625,619 | 46 |
| Iowa..... | 2,521,000 | 2,442,245 | 97 | 173,565 | 14 | 12,067,815 | 70 |
| Missouri..... | 1,045,000 | 854,920 | 82 | 107,998 | 8 | 4,577,179 | 42 |
| North Dakota..... | 170,000 | 123,468 | 73 | 19,726 | 6 | 584,211 | 30 |
| South Dakota..... | 509,000 | 459,741 | 90 | 59,164 | 8 | 2,357,207 | 40 |
| Nebraska..... | 1,116,000 | 917,855 | 82 | 88,600 | 10 | 4,513,236 | 51 |
| Kansas..... | 681,000 | 552,838 | 81 | 78,671 | 7 | 2,919,209 | 37 |
| SOUTH ATLANTIC | 870,000 | 171,814 | 20 | 23,955 | 7 | 790,175 | 33 |
| Delaware..... | 5,000 | 959 | ° | 230 | 4 | 5,364 | 23 |
| Maryland..... | 38,000 | 17,099 | ° | 3,108 | 6 | 89,516 | 29 |

| | | | | | | | |
|---------------------------|------------------|-------------------|-----------|------------------|----------|-------------------|-----------|
| Virginia..... | 136,000 | 61,722 | 45 | 10,551 | 6 | 295,316 | 28 |
| West Virginia..... | 41,000 | 11,330 | 28 | 2,169 | 5 | 64,514 | 30 |
| North Carolina..... | 168,000 | 31,204 | 19 | 4,091 | 8 | 183,817 | 38 |
| South Carolina..... | 104,000 | 18,758 | 18 | 1,644 | 11 | 79,268 | 48 |
| Georgia..... | 270,000 | 9,783 | 4 | 565 | 17 | 39,416 | 70 |
| Florida..... | 108,000 | 20,959 | 19 | 1,597 | 13 | 62,961 | 39 |
| SOUTH CENTRAL..... | 1,668,000 | 771,972 | 46 | 130,312 | 6 | 3,834,898 | 29 |
| Kentucky..... | 224,000 | 140,355 | 63 | 23,156 | 6 | 776,373 | 34 |
| Tennessee..... | 207,000 | 117,097 | 57 | 23,010 | 5 | 610,396 | 26 |
| Alabama..... | 155,000 | 21,657 | 14 | 2,833 | 8 | 96,694 | 34 |
| Mississippi..... | 169,000 | 4,088 | 3 | 256 | 16 | 12,747 | 50 |
| Arkansas..... | 184,000 | 54,651 | 30 | 11,034 | 5 | 247,221 | 22 |
| Louisiana..... | 123,000 | 5,969 | 5 | 481 | 12 | 11,943 | 25 |
| Oklahoma..... | 273,000 | 215,503 | 79 | 36,940 | 6 | 1,082,259 | 29 |
| Texas..... | 342,000 | 212,732 | 62 | 32,002 | 7 | 997,265 | 31 |
| WEST..... | 527,000 | 430,220 | 82 | 51,912 | 8 | 2,186,271 | 42 |
| Montana..... | 51,000 | 29,599 | 58 | 4,304 | 7 | 183,181 | 36 |
| Idaho..... | 64,000 | 67,670 | 106 | 9,544 | 7 | 359,172 | 38 |
| Wyoming..... | 18,000 | 16,034 | 89 | 3,067 | 5 | 74,993 | 24 |
| Colorado..... | 111,000 | 86,342 | 78 | 13,120 | 7 | 421,042 | 32 |
| New Mexico..... | 15,000 | 13,690 | 91 | 2,574 | 5 | 65,592 | 25 |
| Arizona..... | 8,000 | 4,957 | 62 | 334 | 15 | 20,382 | 61 |
| Utah..... | 15,000 | 12,563 | 84 | 2,752 | 5 | 61,771 | 22 |
| Nevada..... | 4,000 | 3,897 | 97 | 284 | 14 | 16,883 | 59 |
| Washington..... | 59,000 | 38,168 | 76 | 5,029 | 8 | 212,260 | 42 |
| Oregon..... | 48,000 | 38,027 | 79 | 6,123 | 6 | 229,165 | 37 |
| California..... | 143,000 | 119,273 | 8 | 4,781 | 25 | 571,827 | 120 |
| UNITED STATES..... | 13,816 | 10,595,567 | 77 | 1,155,233 | 9 | 54,319,075 | 47 |

^a The data for number of litters farrowed in 1932-33 are based on semi-annual estimates in *Crops and Markets*, U. S. Department of Agriculture, December 1934, Vol. 11, No. 12, p. 506. Other data were furnished by the AAA and the percentages were computed from them.

^b Allowances for sows sold during emergency campaign and for new producers are included.

^c Many of the litters farrowed by garbage feeders were not included in the census reports, which formed the principal bases of the Division of Crop and Livestock Estimates figures for the number of litters farrowed in these states.

3. SUMMARY OF RESULTS OF 1935 CORN-HOG REDUCTION PROGRAM—CORN

| Divisions and States | Estimated 1932-33 Average Corn Acreage | Base Acreage of Contract Applicants | Percentage of 1932-33 Corn Acreage in Applications | Number of Contract Applications | Average 1932-33 Corn Acreage of Applicants | Number of Retired Acres | Contracted As Percentage of Base Acreage | Average 1924-33 Corn Yield (In Bushels per Acre) | Yield Allowed on Retired Acres |
|---------------------------|--|-------------------------------------|--|---------------------------------|--|-------------------------|--|--|--------------------------------|
| NORTH ATLANTIC | 2,203,500 | 75,141 | 3.4 | 4,912 | 15 | 15,319 | 20.4 | 38.0 | 40.6 |
| Maine..... | 16,500 | 32 | 0.2 | 10 | 3 | — | — | 39.7 | — |
| New Hampshire.. | 14,500 | 353 | 2.4 | 113 | 3 | 3 | 0.8 | 42.0 | 55.0 |
| Vermont..... | 63,500 | 1,952 | 3.1 | 367 | 5 | 40 | 2.0 | 41.3 | 45.2 |
| Massachusetts... | 38,000 | 1,275 | 0.7 | 169 | 2 | 2 | 0.7 | 41.8 | 36.0 |
| Rhode Island.... | 9,500 | 15 | 0.2 | 8 | 2 | — | — | 40.4 | — |
| Connecticut..... | 53,500 | 356 | 0.7 | 69 | 5 | 17 | 4.8 | 40.3 | 34.5 |
| New York..... | 574,500 | 10,560 | 1.8 | 1,355 | 8 | 572 | 5.4 | 33.9 | 34.3 |
| New Jersey..... | 166,000 | 2,857 | 1.7 | 255 | 11 | 942 | 33.0 | 40.1 | 37.4 |
| Pennsylvania.... | 1,267,500 | 58,741 | 4.6 | 2,566 | 23 | 13,743 | 23.4 | 39.1 | 41.1 |
| EAST NORTH CENTRAL | 20,282,500 | 12,142,630 | 59.9 | 255,905 | 46 | 2,323,480 | 19.1 | 34.2 | 36.2 |
| Ohio..... | 3,398,500 | 1,613,550 | 47.5 | 46,500 | 35 | 297,600 | 18.4 | 35.4 | 37.0 |
| Indiana..... | 4,453,500 | 2,650,000 | 59.5 | 64,540 | 41 | 489,000 | 18.5 | 33.8 | 36.0 |
| Illinois..... | 8,838,500 | 6,741,700 | 76.3 | 103,000 | 65 | 1,348,340 | 20.0 | 34.9 | 36.5 |
| Michigan..... | 1,386,000 | 257,380 | 18.6 | 14,365 | 18 | 50,540 | 10.6 | 29.4 | 31.0 |
| Wisconsin..... | 2,206,000 | 880,000 | 39.9 | 37,500 | 23 | 138,000 | 15.7 | 33.0 | 34.8 |
| WEST NORTH CENTRAL | 45,919,000 | 34,491,729 | 75.1 | 556,140 | 62 | 7,858,530 | 22.8 | 26.8 | 26.6 |
| Minnesota..... | 4,895,500 | 3,385,113 | 69.1 | 73,231 | 46 | 691,274 | 20.4 | 31.1 | 31.7 |
| Iowa..... | 11,493,500 | 9,692,284 | 84.3 | 152,602 | 64 | 1,963,470 | 20.3 | 37.8 | 37.3 |
| Missouri..... | 6,245,500 | 4,000,000 | 64.0 | 93,000 | 43 | 1,000,000 | 25.0 | 26.2 | 25.0 |
| North Dakota.... | 1,569,000 | 846,332 | 61.8 | 19,687 | 43 | 194,880 | 23.0 | 19.2 | 19.3 |
| South Dakota.... | 4,200,000 | 4,250,000 | 101.2 | 61,000 | 70 | 1,087,500 | 25.6 | 17.8 | 18.0 |
| Nebraska..... | 10,537,500 | 8,448,000 | 80.2 | 91,620 | 92 | 2,006,406 | 23.8 | 23.2 | 24.0 |
| Kansas..... | 7,178,000 | 3,870,000 | 53.9 | 65,000 | 60 | 915,000 | 23.6 | 18.6 | 18.9 |

| | | | | | | | | | |
|----------------------------|--------------------|-------------------|-------------|------------------|-----------|-------------------|-------------|-------------|-------------|
| SOUTH ATLANTIC..... | 11,138,000 | 715,555 | 6.4 | 21,443 | 33 | 156,333 | 21.8 | 16.1 | 23.4 |
| Delaware..... | 146,000 | 22,647 | 15.5 | 748 | 30 | 6,765 | 20.9 | 27.4 | 30.0 |
| Maryland..... | 554,000 | 97,220 | 17.5 | 3,197 | 30 | 22,264 | 22.9 | 30.6 | 33.5 |
| Virginia..... | 1,533,500 | 200,000 | 13.0 | 8,000 | 25 | 40,000 | 20.0 | 22.0 | 28.0 |
| West Virginia..... | 455,000 | 40,000 | 8.8 | 1,500 | 27 | 9,600 | 24.0 | 26.3 | 33.5 |
| North Carolina..... | 2,357,000 | 125,000 | 5.3 | 4,000 | 31 | 23,000 | 18.4 | 18.1 | 21.0 |
| South Carolina..... | 1,614,500 | 112,027 | 6.9 | 1,830 | 61 | 28,351 | 25.3 | 13.6 | 15.4 |
| Georgia..... | 3,798,000 | 58,100 | 1.5 | 818 | 71 | 11,800 | 20.3 | 10.7 | 12.0 |
| Florida..... | 680,000 | 60,561 | 8.9 | 1,350 | 45 | 14,553 | 21.0 | 10.5 | 14.5 |
| SOUTH CENTRAL..... | 22,927,000 | 4,333,081 | 1.89 | 141,299 | 31 | 1,091,716 | 25.2 | 17.3 | 19.5 |
| Kentucky..... | 2,769,000 | 807,000 | 29.1 | 26,500 | 30 | 203,000 | 25.2 | 23.2 | 26.0 |
| Tennessee..... | 2,868,500 | 659,704 | 23.0 | 19,560 | 34 | 156,798 | 23.8 | 21.1 | 22.8 |
| Alabama..... | 3,127,500 | 193,500 | 6.2 | 4,500 | 43 | 35,030 | 18.1 | 12.8 | 15.4 |
| Mississippi..... | 2,402,000 | 22,600 | 0.9 | 360 | 63 | 5,600 | 24.8 | 15.0 | 17.2 |
| Arkansas..... | 2,023,000 | 288,527 | 14.3 | 12,829 | 22 | 71,788 | 24.9 | 16.1 | 17.6 |
| Louisiana..... | 1,229,500 | 53,750 | 4.4 | 1,050 | 51 | 13,500 | 25.1 | 14.5 | 15.0 |
| Oklahoma..... | 2,943,000 | 1,100,000 | 37.4 | 40,000 | 28 | 285,000 | 25.9 | 16.4 | 17.4 |
| Texas..... | 5,564,500 | 1,208,000 | 21.7 | 36,500 | 33 | 321,000 | 26.6 | 16.6 | 16.6 |
| WEST..... | 2,983,400 | 1,820,335 | 61.0 | 42,879 | 42 | 523,896 | 28.8 | 14.8 | 13.4 |
| Montana..... | 215,000 | 52,506 | 24.4 | 3,309 | 16 | 17,948 | 34.2 | 13.0 | 13.4 |
| Idaho..... | 52,500 | 12,338 | 23.5 | 6,816 | 2 | 1,804 | 14.6 | 38.0 | 38.0 |
| Wyoming..... | 223,500 | 155,526 | 69.6 | 2,532 | 61 | 42,622 | 27.4 | 13.8 | 13.7 |
| Colorado..... | 1,956,500 | 1,419,464 | 72.6 | 14,700 | 97 | 414,652 | 29.2 | 12.3 | 12.5 |
| New Mexico..... | 267,500 | 148,000 | 55.3 | 3,000 | 49 | 43,000 | 29.1 | 14.5 | 15.0 |
| Arizona..... | 41,000 | 1,569 | 3.8 | 131 | 12 | 182 | 11.6 | 16.4 | 15.0 |
| Utah..... | 20,500 | 2,574 | 12.6 | 2,000 | 1 | 168 | 6.5 | 25.7 | 31.0 |
| Nevada..... | 2,000 | ... | ... | 194 | ... | 188 | ... | 23.8 | ... |
| Washington..... | 39,500 | 4,806 | 12.2 | 3,397 | 1 | 448 | 9.3 | 35.8 | 39.1 |
| Oregon..... | 68,000 | 16,552 | 24.3 | 4,100 | 4 | 1,484 | 9.0 | 32.2 | 36.4 |
| California..... | 97,500 | 7,000 | 7.2 | 2,700 | 3 | 1,400 | 20.0 | 31.0 | 32.0 |
| UNITED STATES..... | 105,453,500 | 53,578,471 | 50.8 | 1,032,578 | 52 | 11,969,274 | 22.3 | 25.2 | 27.2 |

^b Contract application data furnished by the AAA. For source of other data, see notes to Table 1, p. 369.

4. SUMMARY OF RESULTS OF 1935 CORN-HOG REDUCTION PROGRAM--HOGS*

| Divisions and States | Number of Contract Applications | Number of Hogs for Market Claimed on Applications | |
|---------------------------------|---------------------------------|---|-------------------------|
| | | Total | Average per Application |
| NORTH ATLANTIC | 4,912 | 421,076 | 86 |
| Maine..... | 10 | 1,395 | 140 |
| New Hampshire..... | 113 | 9,583 | 85 |
| Vermont..... | 367 | 16,416 | 45 |
| Massachusetts..... | 169 | 112,569 | 666 |
| Rhode Island..... | 8 | 1,381 | 173 |
| Connecticut..... | 69 | 14,345 | 208 |
| New York..... | 1,355 | 74,432 | 55 |
| New Jersey..... | 255 | 94,975 | 372 |
| Pennsylvania..... | 2,566 | 95,980 | 137 |
| EAST NORTH CENTRAL | 265,905 | 12,999,965 | 49 |
| Ohio..... | 46,500 | 2,817,900 | 61 |
| Indiana..... | 64,540 | 3,648,000 | 57 |
| Illinois..... | 103,000 | 4,603,840 | 45 |
| Michigan..... | 14,365 | 470,225 | 33 |
| Wisconsin..... | 37,500 | 1,460,000 | 39 |
| WEST NORTH CENTRAL | 556,140 | 28,360,451 | 51 |
| Minnesota..... | 73,231 | 3,438,768 | 47 |
| Iowa..... | 152,602 | 10,606,584 | 70 |
| Missouri..... | 93,000 | 4,500,000 | 48 |
| North Dakota..... | 19,687 | 516,599 | 26 |
| South Dakota..... | 61,000 | 2,444,000 | 40 |
| Nebraska..... | 91,620 | 4,454,500 | 49 |
| Kansas..... | 65,000 | 2,400,000 | 37 |
| SOUTH ATLANTIC | 21,443 | 699,619 | 33 |
| Delaware..... | 748 | 5,500 | 7 |
| Maryland..... | 3,197 | 74,469 | 23 |
| Virginia..... | 8,000 | 230,000 | 29 |
| West Virginia..... | 1,500 | 45,000 | 30 |
| North Carolina..... | 4,000 | 150,000 | 38 |
| South Carolina..... | 1,830 | 85,485 | 47 |
| Georgia..... | 818 | 54,800 | 67 |
| Florida..... | 1,350 | 53,365 | 40 |
| SOUTH CENTRAL | 141,299 | 3,757,528 | 27 |
| Kentucky..... | 26,500 | 780,000 | 29 |
| Tennessee..... | 19,560 | 539,660 | 28 |
| Alabama..... | 4,500 | 142,791 | 32 |
| Mississippi..... | 360 | 15,300 | 43 |
| Arkansas..... | 12,829 | 247,777 | 19 |
| Louisiana..... | 1,050 | 14,000 | 13 |
| Oklahoma..... | 40,000 | 1,100,000 | 28 |
| Texas..... | 36,500 | 918,000 | 25 |
| WEST | 42,879 | 1,766,511 | 41 |
| Montana..... | 3,309 | 106,485 | 32 |
| Idaho..... | 6,816 | 275,000 | 40 |
| Wyoming..... | 2,532 | 64,500 | 25 |
| Colorado..... | 14,700 | 400,000 | 27 |
| New Mexico..... | 3,000 | 66,000 | 22 |
| Arizona..... | 131 | 12,283 | 94 |
| Utah..... | 2,000 | 51,000 | 26 |
| Nevada..... | 194 | 17,046 | 88 |
| Washington..... | 3,397 | 166,697 | 49 |
| Oregon..... | 4,100 | 179,500 | 44 |
| California..... | 2,700 | 428,000 | 159 |
| UNITED STATES | 1,032,578 | 48,005,150 | 46 |

* Contract application data furnished by the AAA.

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5. PERCENTAGE CHANGE FROM 1934 TO 1935 IN RESULTS OF CORN-HOG REDUCTION PROGRAM*

| Divisions and States | Number of Contracts | Base Corn Acreage under Contract | Retired Corn Acres | Base Hog Production under Contract |
|---------------------------------|---------------------------|---|--------------------------|---|
| NORTH ATLANTIC | -17.0 | -4.5 | +9.3 | -10.7 |
| Maine..... | +42.9 | +6.7 | — | +4.1 |
| New Hampshire..... | -38.6 | -19.4 | -40.0 | -17.9 |
| Vermont..... | -32.7 | -14.0 | — | -21.4 |
| Massachusetts..... | -27.8 | -45.4 | -50.0 | -10.8 |
| Rhode Island..... | -20.0 | — | — | -4.1 |
| Connecticut..... | -25.0 | -17.8 | -15.0 | -8.1 |
| New York..... | -27.8 | -23.3 | -3.1 | -12.4 |
| New Jersey..... | -16.9 | -38.9 | -15.5 | -10.0 |
| Pennsylvania..... | -3.7 | +3.9 | +11.9 | -7.7 |
| EAST NORTH CENTRAL | -20.8 | -10.7 | -23.3 | -20.7 |
| Ohio..... | -27.8 | -19.2 | -34.2 | -15.1 |
| Indiana..... | -22.6 | -15.0 | -31.7 | -22.4 |
| Illinois..... | -14.7 | -5.0 | -17.0 | -23.3 |
| Michigan..... | -40.9 | -39.4 | -36.2 | -34.7 |
| Wisconsin..... | -12.7 | -8.5 | -12.3 | -11.4 |
| WEST NORTH CENTRAL | -8.4 | -3.4 | -7.8 | -7.5 |
| Minnesota..... | -8.0 | -5.6 | -13.9 | -5.2 |
| Iowa..... | -12.1 | -8.4 | -20.6 | -12.0 |
| Missouri..... | -13.9 | -7.3 | -7.4 | -1.7 |
| North Dakota..... | -0.2 | +6.5 | +12.1 | -11.6 |
| South Dakota..... | +3.1 | +3.4 | +4.1 | +3.7 |
| Nebraska..... | +3.4 | +7.2 | +7.9 | -1.3 |
| Kansas..... | -17.4 | -12.6 | -15.6 | -17.8 |
| SOUTH ATLANTIC | -10.5 | +1.9 | -4.8 | -11.5 |
| Delaware..... | +225.2 | +199.6 | +257.9 | +2.5 |
| Maryland..... | +2.9 | +7.0 | +4.9 | -16.8 |
| Virginia..... | -24.2 | -13.5 | -27.1 | -22.1 |
| West Virginia..... | -30.8 | -11.1 | -7.0 | -30.2 |
| North Carolina..... | -2.2 | +15.8 | -1.6 | -2.5 |
| South Carolina..... | +11.3 | +19.0 | +27.6 | +9.1 |
| Georgia..... | +44.8 | +34.1 | +23.0 | +39.0 |
| Florida..... | -15.5 | -26.2 | -29.6 | -15.2 |
| SOUTH CENTRAL | +8.4 | +17.8 | +22.0 | -2.0 |
| Kentucky..... | +14.4 | +3.5 | +4.9 | +0.5 |
| Tennessee..... | -17.2 | -8.0 | -12.5 | -11.6 |
| Alabama..... | +58.8 | +56.6 | +24.1 | +47.7 |
| Mississippi..... | +40.6 | +36.5 | +44.1 | +20.0 |
| Arkansas..... | +16.3 | +44.2 | +58.0 | +0.2 |
| Louisiana..... | +118.3 | +132.7 | +137.8 | +17.2 |
| Oklahoma..... | -8.3 | +10.4 | +23.1 | +1.6 |
| Texas..... | +14.1 | +46.6 | +54.8 | -7.9 |
| WEST | -17.4 | +16.2 | +28.4 | -19.2 |
| Montana..... | -23.1 | -5.1 | +26.4 | -30.5 |
| Idaho..... | -28.6 | -40.1 | -30.7 | -23.4 |
| Wyoming..... | -17.4 | -4.9 | +2.5 | -14.0 |
| Colorado..... | +12.0 | +22.4 | +33.8 | -5.0 |
| New Mexico..... | +16.6 | +13.1 | +21.7 | +0.6 |
| Arizona..... | -60.8 | +35.6 | -66.0 | -39.7 |
| Utah..... | -27.3 | +25.7 | -51.0 | -17.4 |
| Nevada..... | -31.7 | ... | +63.5 | +1.0 |
| Washington..... | -32.5 | +57.1 | -26.2 | -21.5 |
| Oregon..... | -33.0 | +22.6 | -13.4 | -21.7 |
| California..... | -43.5 | +21.2 | +15.8 | -25.2 |
| UNITED STATES | -10.6 | -3.1 | -8.1 | -11.6 |

* These percentages are based upon a comparison of applications in 1935 with accepted contracts in 1934.

6. SUMMARY OF EMERGENCY CATTLE-

| State | Number of Emergency Counties | Cattle Population ^b | | Number of Vouchers | AUDIT | | |
|-------------------|------------------------------|--------------------------------|------------|--------------------|------------------|------------|-----------|
| | | 1930 | 1934 | | Number of Head | | |
| | | | | | 2 Years and Over | Year-lings | Calves |
| Arizona..... | 14 | 695,118 | 930,000 | 3,913 | 65,240 | 14,855 | 21,295 |
| Arkansas..... | 50 | 573,451 | 677,479 | 43,242 | 86,739 | 20,585 | 30,456 |
| California..... | 18 | 1,031,652 | 973,645 | 1,524 | 14,693 | 1,452 | 3,639 |
| Colorado..... | 63 | 1,454,352 | 1,713,000 | 21,440 | 186,883 | 41,909 | 60,796 |
| Florida..... | 7 ^a | 82,500 | 94,460 | 240 | 11,408 | 1,877 | 3,050 |
| Idaho..... | 30 | 440,391 | 520,963 | 5,484 | 23,643 | 8,275 | 9,889 |
| Illinois..... | 12 | 248,476 | 267,877 | 1,047 | 2,115 | 229 | 243 |
| Iowa..... | 34 | 1,238,425 | 1,346,766 | 5,814 | 13,622 | 3,107 | 6,344 |
| Kansas..... | 105 | 3,223,772 | 3,671,000 | 46,731 | 302,761 | 83,333 | 134,949 |
| Louisiana..... | 13 | 138,485 | 159,231 | 18,306 | 27,676 | 12,247 | 17,093 |
| Minnesota..... | 54 | 2,101,590 | 2,337,850 | 52,742 | 136,821 | 51,270 | 69,393 |
| Missouri..... | 110 | 2,759,495 | 2,747,191 | 112,934 | 330,627 | 69,683 | 111,127 |
| Montana..... | 38 | 985,738 | 1,178,738 | 17,369 | 186,982 | 63,729 | 99,215 |
| Nebraska..... | 93 | 3,150,187 | 3,592,000 | 64,653 | 255,719 | 84,316 | 140,833 |
| Nevada..... | 17 | 308,482 | 332,000 | 1,526 | 25,515 | 3,750 | 7,007 |
| New Mexico..... | 31 | 1,055,327 | 1,445,000 | 25,513 | 332,613 | 86,837 | 127,780 |
| North Dakota..... | 53 | 1,454,146 | 1,835,000 | 80,153 | 453,799 | 217,545 | 299,645 |
| Oklahoma..... | 77 | 2,097,576 | 2,462,000 | 41,865 | 266,499 | 93,972 | 143,004 |
| Oregon..... | 12 | 353,062 | 384,583 | 1,123 | 8,867 | 1,192 | 2,423 |
| South Dakota..... | 69 | 1,974,050 | 2,214,000 | 74,930 | 467,631 | 184,391 | 262,817 |
| Texas..... | 233 | 5,886,658 | 6,009,068 | 183,847 | 1,164,592 | 333,084 | 517,942 |
| Utah..... | 29 | 441,650 | 474,000 | 26,648 | 76,339 | 22,314 | 27,442 |
| Wisconsin..... | 19 | 1,148,646 | 1,049,066 | 16,018 | 39,604 | 7,146 | 10,168 |
| Wyoming..... | 22 | 813,456 | 1,009,862 | 11,526 | 164,723 | 45,733 | 75,258 |
| Total..... | 1,203 | 33,656,685 | 37,424,779 | 858,588 | 4,645,111 | 1,452,831 | 2,181,808 |

^a Table furnished by the Commodities Purchase Section, AAA.

^b Data for 1930 are from the U. S. Census and those for 1934 are estimates prepared by

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BUYING PROGRAM, As of May 31, 1935*

CERTIFICATIONS THROUGH MAY 31, 1935

| Number of Head | | | | Amount of Payments | | | |
|-----------------|--------------------------|------------------|----------------|--------------------|-------------------|----------------|---------------|
| Total Certified | Per-centage Distribution | Total Con-demned | Total Accepted | Benefit Payments | Purchase Payments | Total Payments | Rate Per Head |
| 101,390 | 1.22 | 18,235 | 83,155 | \$ 529,600 | \$ 919,161 | \$ 1,448,761 | \$14.289 |
| 137,780 | 1.66 | 39,505 | 98,274 | 714,692 | 878,969 | 1,593,661 | 11.567 |
| 19,784 | 0.24 | 1,656 | 18,128 | 106,335 | 199,380 | 305,715 | 15.453 |
| 289,588 | 3.50 | 38,985 | 250,603 | 1,513,085 | 2,634,856 | 4,147,941 | 14.324 |
| 16,335 | 0.20 | 1,399 | 14,936 | 86,983 | 137,180 | 224,163 | 13.723 |
| 41,807 | 0.50 | 7,305 | 34,502 | 212,900 | 309,494 | 522,394 | 12.495 |
| 2,587 | 0.03 | 85 | 2,502 | 14,564 | 28,086 | 42,650 | 16.486 |
| 23,073 | 0.28 | 2,037 | 21,036 | 116,299 | 210,310 | 326,609 | 14.155 |
| 521,043 | 6.29 | 14,194 | 506,849 | 2,638,024 | 4,885,943 | 7,523,967 | 14.440 |
| 57,016 | 0.69 | 28,888 | 28,128 | 278,570 | 286,963 | 565,533 | 9.919 |
| 257,484 | 3.11 | 8,029 | 249,455 | 1,285,455 | 2,481,151 | 3,766,606 | 14.629 |
| 511,437 | 6.18 | 19,126 | 492,311 | 2,665,540 | 4,810,266 | 7,475,806 | 14.617 |
| 349,926 | 4.23 | 9,787 | 340,139 | 1,738,119 | 3,281,997 | 5,020,116 | 14.346 |
| 480,868 | 5.81 | 15,624 | 465,244 | 2,378,275 | 4,221,494 | 6,599,769 | 13.725 |
| 36,272 | 0.44 | 1,579 | 34,693 | 192,861 | 375,228 | 568,089 | 15.662 |
| 547,230 | 6.61 | 167,877 | 379,353 | 2,813,203 | 4,520,504 | 7,333,707 | 13.402 |
| 970,989 | 11.73 | 49,762 | 921,227 | 4,709,272 | 8,972,651 | 13,681,923 | 14.091 |
| 503,475 | 6.08 | 210,941 | 292,534 | 2,497,852 | 3,244,060 | 5,741,912 | 11.405 |
| 12,482 | 0.15 | 387 | 12,095 | 66,431 | 117,869 | 184,300 | 14.765 |
| 914,839 | 11.05 | 87,125 | 827,714 | 4,516,154 | 8,605,301 | 13,121,455 | 14.343 |
| 2,015,618 | 24.34 | 685,400 | 1,330,218 | 10,206,738 | 14,334,555 | 24,541,293 | 12.176 |
| 126,095 | 1.52 | 34,201 | 91,894 | 651,920 | 1,103,538 | 1,755,458 | 13.922 |
| 56,918 | 0.69 | 1,472 | 55,446 | 303,858 | 562,325 | 866,183 | 15.218 |
| 285,714 | 3.45 | 37,564 | 248,150 | 1,442,416 | 2,742,841 | 4,185,257 | 14.648 |
| 8,279,750 | 100.00 | 1,481,164 | 6,798,586 | \$41,679,146 | \$69,864,122 | \$111,543,268 | \$13.472 |

the Bureau of Agricultural Economics, U. S. Department of Agriculture.

* Emergency flood counties.

7. HOG PRICES AND RELATED STATISTICS, 1921-22 TO 1934-35

| Marketing Year (October through September) | Average Cost to Packers ^a (In dollars per cwt.) | Hog Slaughter under Federal Inspection ^a (In billions of pounds) | Index of National Income ^b (1921-32 = 100) | Index of Export Demand ^c (1921-32 = 100) | Wholesale Spreads ^e (In dollars per cwt.) |
|--|---|---|--|--|---|
| 1921-22..... | 9.06 | 9.16 | 87 | 123 | 3.90 |
| 1922-23..... | 7.98 | 11.44 | 97 | 142 | 3.80 |
| 1923-24..... | 7.41 | 12.01 | 103 | 136 | 3.57 |
| 1924-25..... | 11.18 | 10.26 | 109 | 137 | 3.45 |
| 1925-26..... | 12.29 | 9.78 | 113 | 127 | 4.42 |
| 1926-27..... | 10.71 | 10.01 | 115 | 98 | 4.16 |
| 1927-28..... | 9.24 | 10.82 | 117 | 90 | 3.93 |
| 1928-29..... | 10.03 | 11.32 | 120 | 98 | 3.80 |
| 1929-30..... | 9.58 | 10.53 | 113 | 88 | 3.81 |
| 1930-31..... | 7.21 | 10.20 | 97 | 66 | 3.51 |
| 1931-32..... | 4.05 | 10.62 | 78 | 46 | 2.79 |
| 1932-33..... | 3.68 | 10.92 | 71 | 43 | 2.20 |
| 1933-34..... | 4.07 | 9.50 | 76 | 38 | 3.77 |
| 1934-35 ^d | 7.70 | 6.68 | 82 | 36 | 4.42 |

^a *Livestock, Meats and Wool Market Statistics and Related Data* (memorandum), Bureau of Agricultural Economics, U. S. Department of Agriculture, p. 99.

^b Adapted from "The Direct Marketing of Hogs," *Miscellaneous Publication No. 222*, U. S. Department of Agriculture, p. 218.

^c Bureau of Agricultural Economics.

^d Partly estimated, cost, volume, and spread being based on data for first ten months of the year.

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