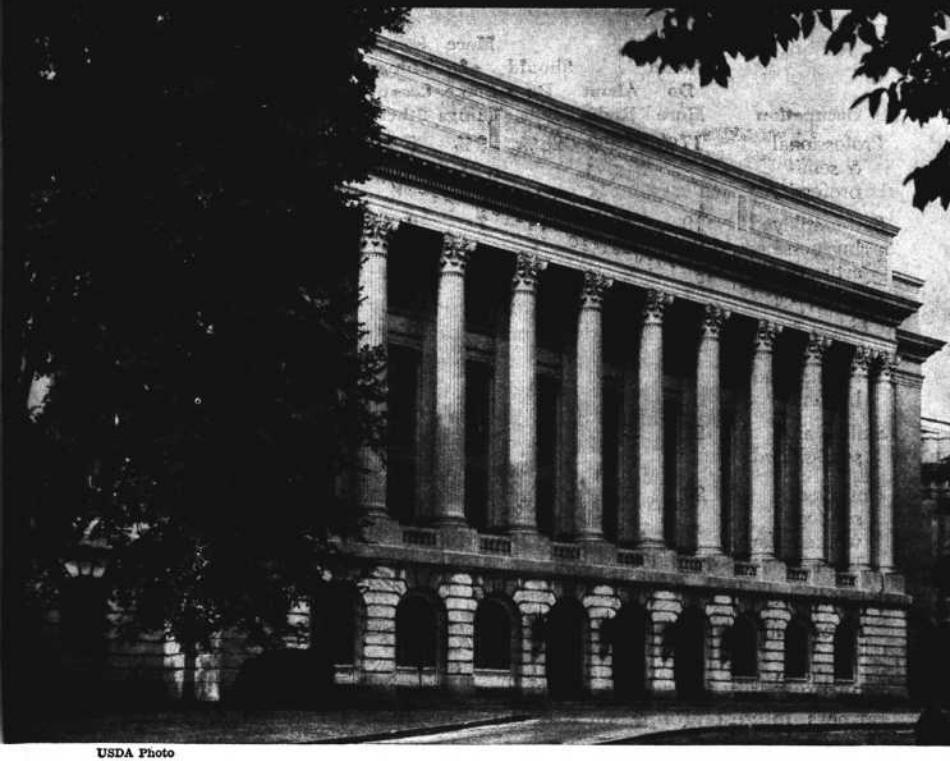
PART XI

Commercial Interests of the Government

40. The Government and Agriculture



USDA Photo

For many years the federal government has performed numerous services on behalf of farmers. The principal services include research into land use and into plant and animal life, the regulation of marketing, and the provision of credit facilities. These services are partly the consequence of pressure upon Congress skillfully exerted by large farmers' organizations. The services also testify to the conviction in governing circles that if farmers are not prosperous—if farmers have a limited purchasing power—the entire national economy is apt to suffer. Legislators and administrators remember that the stock market crash of 1929 and the ensuing industrial, commercial, and financial depression were preceded by a farmers' depression extending back almost to the end of World War I; they assume that the farmers' depression laid the groundwork for the nation-wide depression of the 1930's. Whenever they seem to be forgetting the notion that

TABLE 23. ATTITUDES AMONG DIFFERENT OCCUPATIONS TO THE PRESENT EXTENT OF GOVERNMENT ACTIVITY[1]

Occupation	Should Do More	About Right	Should Do Less	More of Some Things	More of Some Things Less of Others	Less of Some Things	Don't Know or No Answer	%	Total No. of Cases
Professional & semi-professional	17%	35%	28%	9%	5%	3%	3%	100%	125
Self-employed businessmen, artisans, & officials	19	42	23	7	3	3	3	100	251
Clerical & sales, buyers, agents, and brokers	20	43	16	7	3	3	8	100	174
Skilled and semi-skilled	21	50	10	9	1	2	7	100	507
Unskilled, service workers, farm laborers	20	57	4	5	1	1	12	100	193
Farm Operators	13	51	18	4	4	2	8	100	190

[1] From author's analysis of Survey Research Center materials, Study 400, 1952.

farm prosperity underlies national prosperity, one or another of the strong farmers' interest groups, such as the Farm Bureau Federation, is certain to remind them of it.

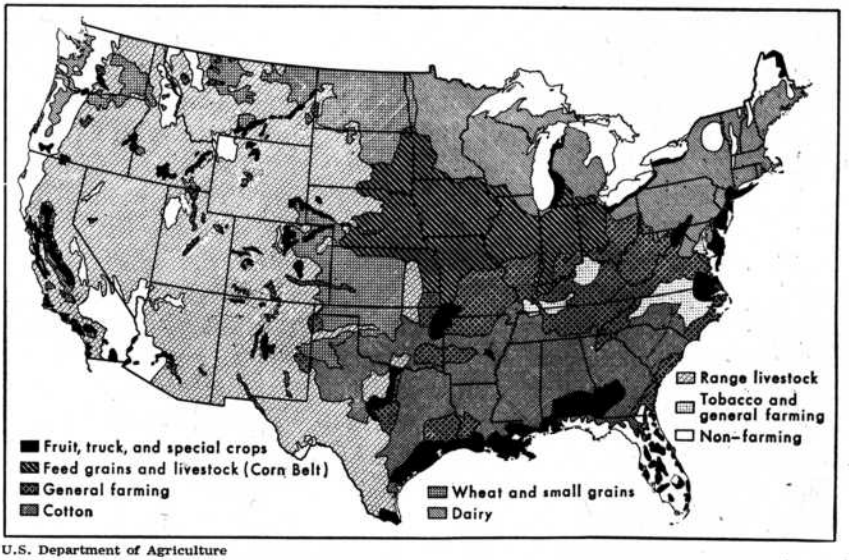
FARMERS IN POLITICS

Many people mistakenly believe that farmers are much less likely than other parts of the public to seek government aid when they are in economic trouble. This belief is contradicted by a long history of agrarian agitations stretching back to colonial times. Table 23 gives the results of a recent survey of people's opinions regarding the need for more or less government activity on behalf of the general welfare, such as more support for public education, old age assistance, and housing. It reveals that farmers may be only a little more reluctant than other groups to expand the scope of government.

Farmers have influence and power in politics that are far greater than their proportion of either the wealth or the numbers of the country. There is no need at this point to describe the interest groups of farmers, for that topic has been discussed in a foregoing chapter. It is well to note here,

however, that in two ways the power that farmers enjoy is partly to be attributed to the form of the American government. In the first place, since each State regardless of population has two Senators, and since there are more farm States than industrial States, farmers have a greater voice than other occupations in the upper house of Congress. In the second place, since farmers have the same kind of dominant voice in most State legislatures, and since State legislatures draw the boundaries for congressional districts, farmers tend to be overrepresented in the House of Representatives as well. From these advantages farmers have reaped a body of favorable legislation. Their interests in Congress are managed, first by the usually sympathetic Committee on Agriculture in each house, and second by a bipartisan group known as the Farm Bloc (some of whose members are on one Agriculture Committee or the other), which can be counted upon to give a respectful hearing to any plea the farmers may utter.

Farmers do not speak with one voice, nor even with just several, but with many. There are different types of farming over the country; and each area, even each crop, has its own economic interest that lends its color to the politics of the nation. Figure 93 discloses the location of the major types of farming in the United States. The vineyardists of California probably have no more in common with the dairy farmers of Wisconsin than an aircraft manufacturer in Washington State does with a lace manufacturer in Rhode Island. Indeed, growers of the same crop may often be at odds; in 1954 the California and the southern cotton growers had a heated debate regarding the means by which quotas should be set for controlling cotton production; in California, where cotton-growing is a new operation, the growers thought that the quotas did not take into account how rapidly their production was expanding.



U.S. Department of Agriculture

Figure 93. Major Types of Farming in the United States.

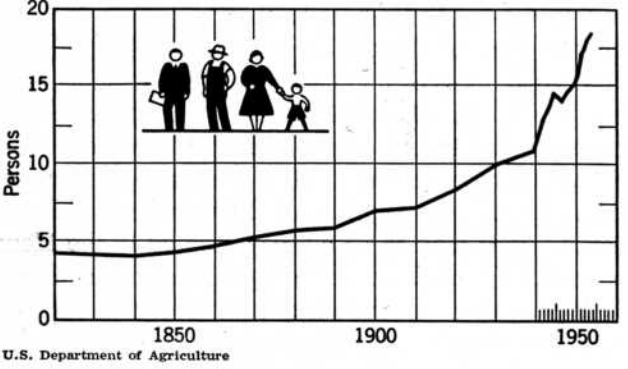


Figure 94. Number of Persons Supported by One Farm Worker, 1820–1955. One farm worker fed four others in 1820, and 18 others in 1955. Note the rapid recent increase in the ratio, owing to the recent sharp advances in farm technology.

STRUCTURE OF AMERICAN AGRICULTURE

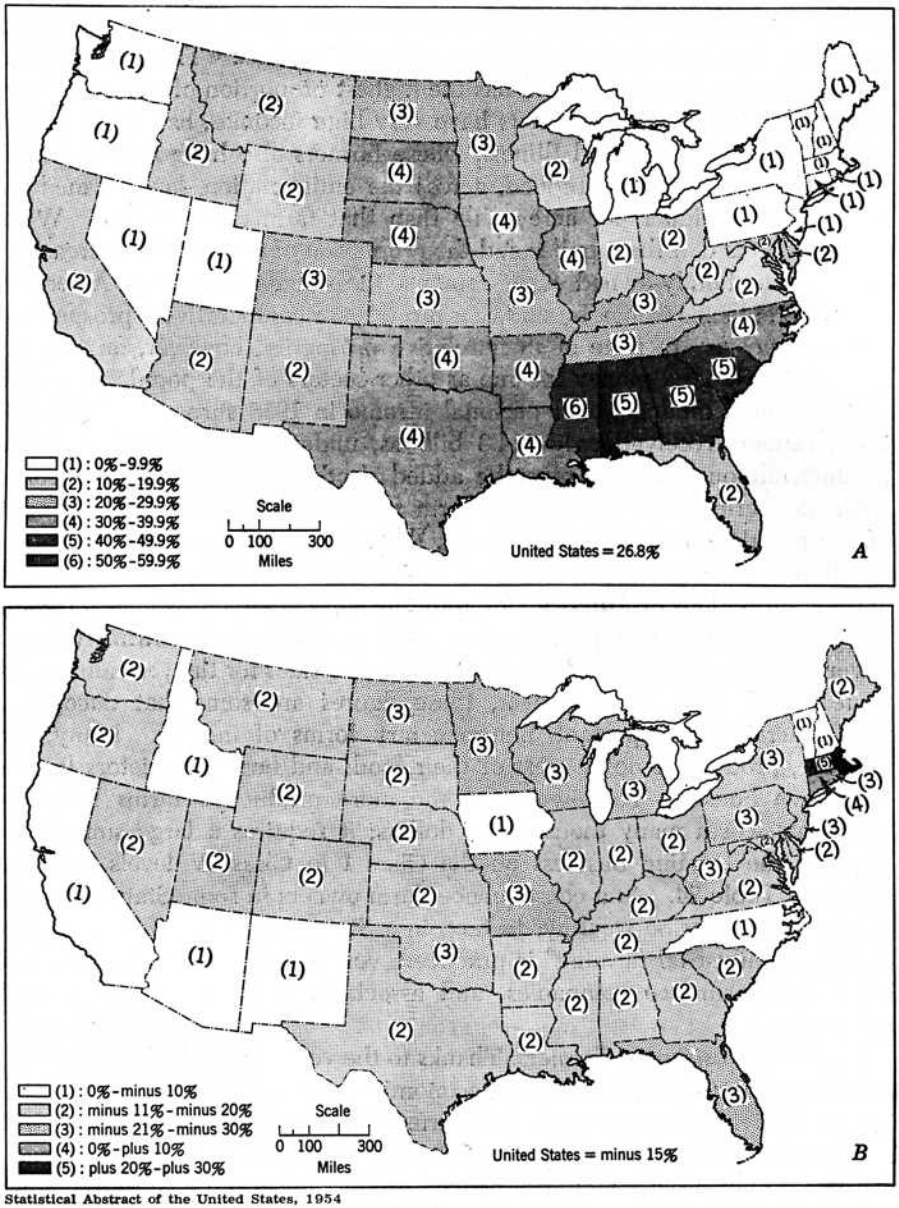
American agriculture is big business—indeed, it is still the biggest business in the country. American farms have greatly evolved since 1787. At one time most farmers produced only enough for their own needs, along with a small surplus to enable them to buy what they could not produce themselves. Today farmers produce only a small amount of what they consume; most of their production is aimed at the market place. One estimate, that shown in Figure 94, indicates that a great many more farm families were needed to grow food for non-farm families in 1820 than in 1955. These figures actually understate the true situation greatly. Many farmers of today produce scarcely more than their own subsistence; other farmers, by contrast, produce great quantities of food for non-farmers.

Number and Size of Farms: There are about 4.8 million farms in the United States, with more than twenty million people living on them. However, the United States Census Bureau in 1955 estimated that ninety-five per cent of the market supply of commodities is produced by only fifty-five per cent of the farms. The other forty-five per cent, from a narrow economic viewpoint, are mainly "surplus" farms. They are not needed in the larger economy of agriculture. Both farms and farmers are fewer today than they were some decades ago; yet owing to the mechanization of agriculture and to improved techniques of cultivation, farm production has risen. Thus fewer people raise more food on larger farms.

The average farm in 1954 contained 242 acres, about three-eighths of a square mile; in 1880 the average was 133 acres, and by 1920 it had risen only to 148. The smallest farms are in the East; those in New Jersey average fewer than seventy acres. The largest are in the Rocky Mountain States; Arizona farms average nearly 4,000 acres, about six square miles. In 1954 there were about 130,000 farms each containing more than 1,000 acres; although they numbered only two per cent of all the farms in the

country, they included more than forty per cent of all farm land. In 1920 such farms embraced only twenty-five per cent of all farm land. Thus farms, like industrial organizations, appear to be growing larger and less numerous.

Farm Ownership: The pattern of farm ownership is very important. In 1954, 24.4% of American farms were operated by tenants, that is, by



Statistical Abstract of the United States, 1954

Figure 95. Farm Tenancy in America. *A.* Proportion of Tenant Farms to All Farms, by State, 1950. *B.* Change in the Proportion of Tenant Farms in Each State, 1945 to 1950.

farmers who did not own the land but rented it, paying either cash or a share of their crops to the owner. The maps in Figure 95 show the percentage of tenants out of all farmers in each State, and how the percentage shifted between 1945 and 1950. The proportion of tenants has been steadily declining, partly because farm prosperity in recent years has enabled many tenants to purchase their own farms, and partly because many tenants have given up farming and moved to a city to work in industry or the service trades. It can be seen from the map that there is no necessary relation between farm wealth and the proportion of tenants. True, the South, where farm incomes are lowest, has the highest proportion of tenants. Too, California, a State whose farmers have very high incomes, has a low tenant proportion. Yet Iowa and Illinois, whose farmers also have high incomes, have high tenant rates. Indeed, across the entire nation, land farmed by tenants has a higher per acre value than that farmed by owners. What is important is that the number and the proportion of tenants are decreasing, so that the family-owned farm remains the standard unit of American agriculture; hence it may be said that farmers are comparatively prosperous.

Farm Income: In spite of their relative prosperity, however, farmers do not have as large a money income as other sectors of the population. For example, of a total national personal income in 1955 surpassing $303 billions, farmers received only $14.3 billions, under five per cent, for their product, although to this must be added another $5.7 billions of income from non-agricultural sources; yet farm families constituted 13.5 per cent of the population in 1955. Moreover, this income is by no means equally distributed among farms. Table 24 throws light on the number of farms in different regions of America and upon the wide range of incomes received by different groups of farms. In 1950 more than one million farms (out of fewer than six million) reported that their entire sales for the year amounted to less than $250.00. However, these figures are somewhat deceptive, for farmers have important, non-monetary forms of income. Many, for instance, produce some or most of their food; and farm proprietors live in their own houses. The owners of the more productive farms have investments worth many thousand of dollars; it requires a large sum today to enter the farming business on the Class I to Class IV levels that are shown in Table 24. As a consequence, farm owners in some States, notably in the West, may be wealthy; in fact, in a State such as California, where so-called "industrial farming" is practiced, very large farms may be owned by banks, insurance companies, and associated industries such as food processors.

Economic Position of Farmers: Thanks to the very nature of their business, farmers occupy a disadvantageous economic position. Each farmer is, after all, an individual enterpriser, and farmers rarely of their own free will combine in order to manipulate prices. Furthermore, unlike manufacturers, farmers do not often voluntarily restrict production in the face of declining prices. Indeed, when agricultural prices drop by one-half, farmers may double output in an effort to compensate for the difference.

The nature and growth of the American economy have imposed a funda-

mental handicap upon the farmer. The United States has for over a century been an important source of food for Europe; in other words, it has been an exporter of food. Hence the prices received by American farmers have been influenced by world food prices, since they have had to compete with the farmers from other food-exporting countries such as Canada, Australia, and Argentina. By contrast, until fairly recent times the United States has imported manufactured goods. At the behest of American manufacturers, Congress enacted tariff laws to bar competing finished goods; as a result, American industry has been more or less able to fix its own prices regardless of world prices. Therefore, since the United States has higher prices than most other countries, farmers, who have had to charge world prices for their products, have suffered by comparison with factory owners. Lately American farmers have begun to lose their export market save in time of war.

Today, then, farmers do not have much control over the prices they receive save through governmental action in their behalf. Farm prices tend to be set in the short run by the beliefs and expectations of food processors and speculators on the commodity exchanges. After World War II, for instance, the prices paid to farmers dropped, yet the prices paid for food in stores remained more or less constant, or even rose, so that the farmers received a smaller percentage of consumers' food costs. In 1946 the farmer's share of the consumer's food dollar was fifty-two cents; in 1956, it was

TABLE 24. AN ECONOMIC ANALYSIS OF AMERICAN FARMS, BY REGION[a]

Numbers of Farms in the Different Regions of the United States and the Amount of Income Earned by Groups of Differently Sized Farms

Economic Class	Class Interval (Value of Products Sold)	United States Number	United States %	North %	South %	West %
All farms: number		5,382,100		(2,268.0)	(2,652.5)	(461.7)
total %			100.0	100.0	100.0	100.0
Commercial farms						
Class I	$25,000 and over	105,500	2.0	2.0	1.1	6.9
Class II	$10,000 to $24,999	386,100	7.2	10.9	3.0	12.8
Class III	$5,000 to $9,999	725,600	13.5	21.9	5.8	16.1
Class IV	$2,500 to $4,999	882,300	16.4	21.4	12.3	15.6
Class V	$1,200 to $2,499	895,900	16.6	14.4	19.2	12.9
Class VI	$250 to $1,199[b]	707,700	13.1	7.4	19.3	5.6
Other farms						
Part-time farms	$250 to $1,199[c]	642,100	11.9	9.7	13.7	12.5
Residential farms	Under $250	1,032,400	19.2	12.2	25.5	17.4
Abnormal farms[d]		4,500	.1	0.1	0.1	0.2

Source: The Agricultural Situation, U.S. Bureau of Agricultural Economics, March 1952.

[a] Preliminary census data; totals obtained by adding state or county census releases.

[b] With the operator working off the farm less than 100 days and farm sales greater than other family income.

[c] With the operator working off the farm 100 or more days and/or other family income exceeding farm sales.

[d] Chiefly public and private institutional farms.

forty-one cents. It is true that part of the rise in the cost of foods should be ascribed to the higher wages paid laborers in the food-canning and meat-packing industries; however, another part of this rise constituted profits for distributors. This type of situation is largely responsible for farmers' demands that the national government assure them a minimum income.

PRODUCTION IMPROVEMENT

The federal government in many ways helps farmers to improve both the quantity and the quality of farm products. Most of this assistance is handled by the Agriculture Department, which has rightly been labeled "one of the greatest research institutions in the world." The operations of the government regarding soil conservation were described in the previous chapter. Beyond this activity, scientists in the various offices of the Agricultural Research Service conduct research into almost every conceivable question in the several fields of agriculture. They study means for utilizing agricultural commodities for new industrial purposes. They investigate the causes for animal diseases; for instance, they cooperated with Mexican authorities to suppress hoof-and-mouth disease in cattle. They seek means for producing superior breeds of livestock. They strive for dairy herds yielding more and richer milk. They discover new species of harmful insects, and attempt to create effective insecticides. They analyze eating habits of the American people, and devise new methods for preparing foods. They inquire into plant life, the diseases that afflict plants, the relationship between types of soil and plant growth, and the best techniques and machinery for sowing, cultivating, and harvesting plant crops. The Department maintains an Agricultural Research Center at Beltsville, Maryland, in the environs of Washington, a town that has given its name to the succulent five-pound turkeys developed by its poultry breeders.

The findings of the Department are broadcast through various media. In the first place, the Department publishes a tremendous number of books and pamphlets. Too, the Department works through the agriculture and the domestic science branches of land-grant colleges to instruct students, especially future farmers, farm wives, and teachers of home economics in the public schools. The Extension Service of the Department works through the county agents who have been appointed in nearly all rural American counties.

These agents deserve particular note; they are public officers named usually by the State agricultural extension services connected with the State land-grant colleges. They are paid ordinarily by the States, which are assisted by a federal grant-in-aid program. Occasionally, counties are required to contribute funds for the agents' salaries. However, they are frequently selected on the basis of recommendations by either the State land-grant college or the State or county farmers' organization, especially the local affiliate of the American Farm Bureau Federation. In almost every case, the Federation, too, works closely with the county agent; hence the

Federation may often depend upon the county agent as a transmission belt to the Department of Agriculture.

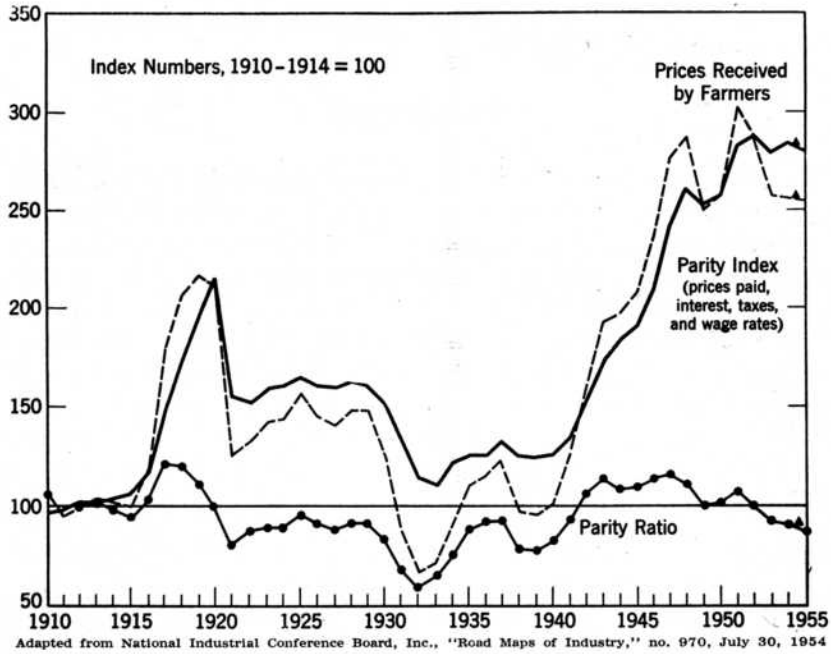
MARKETING

The federal government plays an important role in the marketing of agricultural products, with an eye to securing "just" prices for farmers. In this program the federal government subsidizes farmers for refraining from raising certain crops, and buys surpluses of other crops so as to remove them from the market. Some observers hold this practice to be rather absurd, since millions of people in the world are hungry. However, the needs of these millions cannot bring as much pressure upon Congress as farmers' organizations can, with their demands for prices based upon "parity," that is, prices they deem fair. It is necessary first of all to explain the nature of "parity" before going on to describe government operations in the agricultural markets.

Parity

Parity, which in the mouths of some leaders is a sacred incantation, in fact is nothing more than a ratio. It is a ratio just as one-half or fifty per cent is the ratio of two to four. The parity ratio is the ratio between the prices received by farmers (price index) and the prices paid by them for the things they need in order to live (parity index). Parity equals 100 at a time chosen as a "normal" one; at present it is the base period from 1909 until 1914, when the prices received for crops are believed to have been in a good relation to the costs of the things the farmer bought. When the system of price supports for farm goods was being worked out in the 1930's, this era was chosen deliberately as one in which farmers had exceptionally high purchasing power. The graph in Figure 96 shows how farm prices and other prices have risen and fallen between 1910 and 1955, and the status of parity during those years; the graph makes it evident that all during the 1920's farm prices were below parity; the rises in parity after 1915, 1940, and 1950 show how the two world wars and the Korean conflict were financially advantageous for farmers.

Hence the expression, "to keep prices at parity," or "to guarantee parity," means simply that the government will manipulate the prices of farm goods so that these goods will purchase as much as an equal quantity of goods would buy in the base period. For example, in 1920 the parity ratio was almost exactly 100. Both the items a farmer bought in that year and the items he sold were far more expensive than they had been in 1913; however, both had risen in the same proportion, so that the ratio was about 100 in each year. If the government is guaranteeing one hundred per cent parity prices, and if wheat, for an illustration, falls below that percentage of parity, then the government must intercede in the market so as to raise the price of wheat, or else give the farmer a parity price and take the wheat itself. It must be noted that the government acts only on a specific crop; each commodity *has its own parity price* and, of course, *its own market*



Adapted from National Industrial Conference Board, Inc., "Road Maps of Industry," no. 970, July 30, 1954

Figure 96. Prices Paid, Prices Received, and the Parity Ratio for Farm Products, 1910 to 1955.

price. That is to say, the parity index referred to in Figure 96, and above in the text, gives an average. If, for example, wheat is at seventy-five per cent of parity and hogs at 105%, the government then acts to raise the price the farmer gets for his wheat, but not the price he gets for his hogs.

Price supports

Today the government supports the prices of numerous farm goods in terms of parity. Present laws require support for the prices of corn, wheat, rice, tobacco, cotton, peanuts, wool, mohair, tung nuts, honey, and milk and butterfat. The government may support the prices of other crops as well. Support is implemented by controls over both production and marketing; that is, farmers are given acreage allotments and marketing quotas so that the country may avoid a surplus of farm products, in which case the relation of supply to demand may bring prices up to a point at which government support will be unnecessary. Both allotments and quotas are administered by the Commodity Stabilization Service (CSS) in the Agriculture Department. Each year the CSS fixes the total national acreage that shall be devoted to the crops concerned; the total is based upon calculations of the probable demand and the past productivity of farms.

In 1956, as another means for raising farm prices, and also as a method for reducing surplus production, Congress established the so-called "soil bank" program. Under this arrangement, Congress each year is to make $1.2 billions available to pay farmers for refraining from planting crops in

a portion of their fields. Up to $750 millions may be paid farmers for withdrawing acreage from the production of corn, cotton, peanuts, rice, tobacco, or wheat, and allowing the land to lie fallow. Up to as much as $450 millions more will be appropriated to pay those who replace these stipulated crops with other, soil-conserving crops.

The distribution of acreage among the individual farmers (and part of the Agricultural Conservation Program as well) is executed by a descending series of farmer committees, one in each State, one in each of about 3,000 counties, and about 29,000 at the community level. The members of these committees are farmers who have been elected by other farmers. This decentralized organization has been highly praised by some administrators as a means for rooting policy in the locality. However, as Professor Reed L. Frischknecht points out, comparatively few farmers take part in the community elections, and committee members are often reelected, so that there has grown up a group of professional farmer-committee members, usually from the most ardent supporters of the plans of the Agriculture Department.[1]

In an attempt to increase farmer participation, reduce the influence of farm pressure organizations, and guarantee reliable administration of the decentralized program, the Department of Agriculture in 1953 ordered three changes: (1) No committeeman might serve for more than three annual terms; (2) no official of a general private farm organization might hold a committee post; and (3) each county and community committee would choose an office manager to carry out its work on a regular basis. Mr. John A. Baker of the National Farmers' Union in 1955 criticized these changes as actually reducing farmer participation because, he said, the important work of the committees had been turned over to hired managers; the system of decentralized administration, he wrote, "has been so weakened that farmers now have little voice in the government program with which they are most closely concerned."[2] In any case, the community committees determine the acreage allotments of the individual farmers within their jurisdiction. The farmer is not compelled to abide by his allotment; however, if he does, and if he turns the remainder of his land into pasturage, or if he plants soil conserving crops there, he is entitled to receive benefit payments under the Soil Conservation and Domestic Allotment Act of 1936.

It sometimes occurs that in spite of acreage allotments, at harvest time a surplus may be impending. Under these conditions the CSS may fix a marketing quota, limiting the amount of the crop that may be sold in interstate commerce. Any proposal for marketing quotas must be submitted to the farmers in a nation-wide referendum of those raising the crop; the quotas cannot go into effect unless the referendum passes by at least a two-thirds majority. It is noteworthy again that despite the allegations about the presumed "rugged individualism" and "economic independence" of the American farmers, they usually support the quotas in these referenda,

[1] Frischknecht, Reed L., "The Democratization of Administration: the Farmer Committee System," *American Political Science Review*, 47 (1953), pp. 704–727.

[2] Letter of May 17, 1955, to the office of the author.

by large majorities. If the farmers reject the quota proposal in the referendum, they lose also the government price support. These quotas are also allocated among farmers by the farmer committees. In cases of violations of these quotas, when farmers place more than their share into interstate commerce, they are subject to fine.

The management of farm surpluses

The government manages farm surpluses by combining them and storing them in what is known as the "ever-normal granary." The ever-normal granary is simply a device for retaining surplus harvests so that they may be used in years with small or deficient harvests. This is a very ancient institution; it has been used for centuries in China, and it is typified in the Old Testament account of how Joseph when in Egypt kept some of the harvests during the seven fat years. The American ever-normal granary is administered by the CSS and financed by the Commodity Credit Corporation (CCC).

The CCC is a federal agency whose executive is a seven-man board of directors under the chairmanship of the Secretary of Agriculture, an *ex officio* member of the board; the other six members are appointed by the President and confirmed by the Senate. The CCC also possesses a five-man advisory council. The CCC is a lending and purchasing agency; it is empowered to borrow up to $14.5 billions to carry out its duties. A farmer may borrow money from the CCC, using his harvest as collateral; the CCC then stores his crop. The CCC must lend the farmer whatever percentage of parity is at that time guaranteed on his crop. If subsequently the market price of the crop rises above this guarantee, the farmer may now sell his property to a private purchaser on the market, then repay his loan from the CCC with his returns. If, on the other hand, the market price of the crop does not reach the guaranteed percentage of parity, the farmer may simply turn his crop over to the CCC. In such a transaction, regardless of the market price of the crop the farmer owes the CCC nothing but the crop.

The CCC has had a somewhat checkered history. During World War II, when there was a tremendous demand for food and when food prices were over parity, the CCC carried little surplus and actually made money from interest payments on its loans. However, after the war, when prices fell the CCC gradually began accumulating a huge surplus. Indeed its very existence encouraged the cultivation of surpluses since farmers were guaranteed a specific percentage of parity on their harvests. On May 31, 1956, the federal government held surpluses amounting to $2.7 billions in wheat, $2.5 billions in cotton, $1.9 billions in corn, $0.2 billions in dairy products, and $1.2 billions in other items, a total of $8.5 billions altogether. At least one point may be admitted: the United States has no cause to fear a small harvest.

For the government, perhaps the most embarrassing phase of this undertaking is the disposal of the surplus commodities. After all, agricultural goods cannot be stored indefinitely; items such as butter will spoil. How-

ever, the CCC has only limited means for ridding itself of these properties. The most obvious way for disposing of them would be to give them away; however, any such idea would encounter instant opposition, since it would destroy the market for farmers. The CCC might also sell them cheaply, but this method, too, would injure the market. Occasionally the CCC tries to purvey these goods abroad, so that at least they will not compete in the domestic market. Here again the CCC must tread warily, lest it conflict with other nations such as Argentina which export food; indeed, the CCC will not sell its goods overseas at prices under those of the world market, lest it make enemies for the United States.

One means for disposition that the government does use is a free-lunch program for public school pupils; it gives some food to the schools, and participates in a grant-in-aid system with States which finance free-lunch programs. Yet even this program occasionally undergoes attacks by congressmen from food-producing States, who try to reduce the appropriations. Some stocks, especially of perishable foods, are also made available to public and private welfare organizations both in the United States and abroad.

Too, the United States has been using these foods to bolster the economies of certain foreign powers. It sells the commodities to the foreign government, receiving in exchange money that would have little if any value in the United States, but which can be spent in the purchasing country for articles that the United States may need. Sometimes, instead of spending the money, the United States lends it to the purchasing country, for the construction of roads or public buildings, thereby creating employment opportunities. Finally, the American government sometimes does give away its food, in cases of exceptional need abroad.

Various plans for eliminating these surpluses have been put forward, but each has roused such a hurricane of opposition from one side or the other that none has been wholly adopted. The Department of Agriculture even tries to dispose of surplus products through publicizing their virtues. For instance, in the spring of 1955 the Department launched a campaign to sell more milk and milk products, partly because milk is a wholesome food but also because there were huge surpluses of milk products and because the monetary support of milk and its products was very expensive to the Department. Fortunately, almost everyone agrees that milk is wholesome; the Department might promote it without encountering great public opposition. By contrast, it would be quite out of the question for the Department to promote the sale of bonded whiskey (which at this time was also in surplus supply) even thought it might thereby increase government revenues that are lost when stored whiskeys are removed for sale before the owners have to pay a tax on its bonding.

FARM CREDIT

Until recent years one of the most oppressive difficulties for farmers has been their inability to borrow as much money as they wished or needed.

Through American history the farmer traditionally has been indebted; he has found it difficult to borrow, and has supported inflationary policies that would make it easier for him to procure money. However, until the past few decades money and credit facilities in the United States have been dominated by so-called "hard-money" advocates, by groups desiring that the dollar have a high purchasing power and restricting credit so as to have fewer dollars in circulation. Moreover, lending facilities have been controlled by eastern banks, especially by those in New York, so that banks in the corn and wheat belts have had small lending capacities. This situation has produced the exaggerated dislike farmers have shown for "Wall Street." Only in the past four decades have farmers been able to win congressional sympathy respecting their credit needs. Today, as a result, the federal government contains important machinery for extending credit to farmers.

Farm Credit Administration

The Farm Credit Administration includes most of the farmers' lending agencies under the federal government. For the purposes of the Administration, the United States is divided into twelve farm credit districts—thus imitating the regional pattern set by the Federal Reserve System. The Administration itself is an independent agency. The policy-making organ of the Administration is the thirteen-member Federal Farm Credit Board; twelve members, one from each district, are chosen by the President, who usually heeds the recommendations of farm interests, and the thirteenth is named by the Secretary of Agriculture as his spokesman. The executive officer of the Administration is the Governor, who is appointed by the Board.

The Administration extends four types of services: land bank; intermediate credit bank; production credit; and cooperative bank. Each service except the intermediate credit bank has as its chief a Deputy Governor and Director chosen by the Governor. In each district there is one of each of the four main types of farm credit organizations: a federal land bank; a federal intermediate credit bank; a production credit corporation; and a bank for cooperatives. The policies for each district are set by a farm credit board of seven members who are *ex officio* members of the credit organizations in that district. The executive officer in each district is the General Agent, who serves as joint officer for the four bodies.

These four types of agencies provide a comprehensive lending service to farmers. Federal land banks, which are owned by national farm loan associations in each district, lend money to farmers who are recommended by the associations. The borrower must then purchase stock in the association, which in turn purchases stock from the land bank. After the loans are repaid, the stock is retired. In exchange, the banks accept first mortgages on farms. The loans may not be more than $200,000 nor less than $100, but in any case may not be more than sixty-five per cent of the value of the farm. Banks in the nine districts west of the Appalachian Mountains collect four per cent per annum interest; those from New England to Virginia, four-and-one-half per cent; and that from North Carolina southward, five per cent. The purposes of these loans are to

enable farmers to buy land; erect buildings; purchase needed supplies, equipment, and stock; and retire their debts.

Intermediate credit banks function much like Federal Reserve Banks. They do no business directly with farmers; rather, they deal with organizations that offer credit to farmers, by lending money to, or discounting notes and commercial paper for, such agricultural financial institutions as livestock loan companies. Too, as with Federal Reserve Banks, the notes discounted by intermediate credit banks are short-term, usually no more than a year. These banks are owned by the federal government. They procure money for their own operations by selling short-term notes to the public, for which all twelve banks are jointly responsible. The purpose of these loans, then, is to endow private bodies with greater credit facilities.

Production credit corporations function through the 498 local production credit associations of farmers across the country. The corporations supervise the associations and provide them with some of their money; however, 440 of the 498 associations are now independent of government capital. Voting stock in the associations is owned by the members. The associations, although they handle the loans, do not lend government money; instead, they discount farmers' notes with the intermediate credit banks. These loans are extended for all types of farming operations; in simplest terms, their purpose is to tide farmers over between the time of sowing a crop, in which they may have invested almost all their cash, and that of harvesting the crop, which is the earliest moment at which they may expect a return. They are short-term loans guaranteed by the farmers' crops.

Banks for cooperatives lend money to responsible and eligible farmers' cooperative associations. There is a Central Bank for Cooperatives, which deals with nation-wide cooperative organizations and which makes direct loans to the district banks. The district banks in turn serve generally those bodies whose scope does not reach beyond their district. The extent of the operations of all these types of farmers' credit institutions is apparent in the fact that during the calendar year 1955 they lent farmers and farm cooperatives $2.6 billions.

Farmers Home Administration

The Farmers Home Administration, in the Department of Agriculture, is designed chiefly for the benefit of less prosperous farmers; it furnishes credit services to those who may be unable to obtain them from any other source, or can obtain them only at exorbitant interest rates. The Administration conducts its operations through county committees, made up of three persons at least two of whom must be farmers, who determine whether or not an individual may be given credit.

The Administration extends two principal forms of loans. First, it lends money for operating expenses to individuals owning small farms, and to tenant farmers. These loans are to be employed for the purchase of supplies, improvement of farms, and other relatively short-term goals. Such a loan may be no more than $7,000; it is to be repaid in from one

to seven years, at five per cent yearly interest. The second type of loan provided by the Administration is for the purchase of farms. The loans are made to tenants, sharecroppers, farm laborers, veterans, and others seeking to buy a farm. Hence the Farmers Home Administration has been a factor in reducing the proportion of tenant farmers in the United States. These loans run for forty years, at four per cent annual interest.

The Administration also insures mortgages on loans made by private institutions, in much the same manner as the Federal Housing Administration deals with city dwellers. Finally, the Administration is empowered to lend money to farmers in the arid western States so that they may supply themselves with water, and to provide credit in the event of farm disaster. In fiscal 1955 the Administration made operating loans of $134 millions and farm ownership loans of $19 millions; it insured farm ownership loans supplied by private institutions to the amount of $32 millions.

Rural Electrification Administration

The Rural Electrification Administration (REA) is an agency to grant credit to organizations that furnish either electric power or telephone service to farm residents. As it has functioned, the REA has come to be actually an example of government promotion of business, and is thus considerably more than a simple farm credit body. Hence it will receive only a brief note here, with fuller treatment reserved for the chapter describing the government's promotional activities.

THE DEPARTMENT OF AGRICULTURE

The Department of Agriculture is the chief federal agency concerned with farmers. It is the oldest of what might be termed the "vocational-interest" Departments, the others being Commerce, Labor, and Health, Education, and Welfare. The Department was created in 1862, another manifestation of the victory won by the western farmers in the election of 1860. Initially the head of the Department was a Commissioner, who was not a member of the presidential cabinet; in 1889 the Commissioner was replaced by a Secretary, who took a seat in the Cabinet. Today it is one of the largest Departments; on January 1, 1956, it had 76,358 employees, a number exceeded only by the defense establishment, the Post Office, and the Treasury. In fiscal 1956 its expenditures amounted to almost $5.2 billions, more than half of which was spent by the Commodity Credit Corporation. In one way the Department has been a model for other federal agencies; it developed outstanding methods for recruiting and selecting its personnel, and it instilled in them a sense of professionalism.

The Secretary is almost always an individual who is connected with agriculture. Among the fifteen Secretaries since 1889, all but one have come from the Mississippi Valley; the one exception, Ezra Taft Benson of Utah, Secretary under President Eisenhower, was no stranger to farming. Under the Secretary are an Under Secretary, who is the deputy of the Secretary; and four Assistant Secretaries, one each for departmen-

tal administration, Federal-States Relations, Marketing and Foreign Agriculture, and Agricultural Stabilization. One of the most important institutions supervised by the Administrative Assistant Secretary is the Department of Agriculture Library, the largest agricultural research library in the world, containing about one million volumes.

Under Federal-States Relations the Department carries on the extensive work in the field of conservation that was treated in the last chapter. This branch also embraces the Agricultural Research Service, which manages such functions as the crops regulatory programs, the livestock regulatory programs, and research in crops, farm and land management, livestock, home economics, and crop utilization. The findings of this research are disseminated by the Extension Service of the Department. Under Marketing and Foreign Agriculture are the Agricultural Marketing Service, which helps farmers to sell their crops; the Commodity Exchange Authority, which regulates commodity exchanges; and the Foreign Agricultural Service, which attempts to find markets overseas for surplus American farm products. Agricultural Stabilization includes the Commodity Credit Corporation, the Commodity Stabilization Service, and the Federal Crop Insurance Corporation. This last agency strives to protect farmers from crop disasters brought about by forces beyond their control. The Corporation operates on the county level; it offers insurance in counties where at least 200 farmers, or at least one-third the farmers producing the given crop, take part in an insurance program. Insurance rates are based on losses suffered in previous years and on the amount of premiums paid in the past by the farmers in the county. Finally, the credit services of the Agriculture Department include the Farmers Home Administration and the Rural Electrification Administration.

QUESTIONS AND PROBLEMS

1. Cite several historical examples of farmer movements that have sought government aid.
2. Where is farm tenancy increasing in America and where is it declining? Where is farm tenancy most common?
3. Why are farm prices difficult to control by personal or by governmental means?
4. In what ways does the federal government assist farmers with their production problems?
5. In what ways does the federal government assist farmers with their marketing problems?
6. Define *parity*. What has been the relation between the prices received by farmers and the parity index since 1930?
7. Describe how the acreage allotments and marketing quotas system functions when farm prices fall below parity.
8. What are the problems of surplus commodities under the government crop loan system?
9. Describe briefly: the federal land banks; federal intermediate credit banks; production credit corporations; banks for cooperatives.
10. List all the principal divisions of the Department of Agriculture and describe in one sentence the major functions of each.