Price Supports

Agricultural Act of 1948 provides a more flexible system

Ivan M. Lee

Long-range agricultural legislation was passed by the 80th Congress in June, 1948, which provides for a more flexible system of farm price supports after December 31, 1948—the termination date for price supports under wartime legislation.

The Agricultural Act of 1948 specifically covers certain commodity categories which have been defined in or resulted from the operation of earlier legislation. These commodity categories are:

1. Basic commodities: Cotton, wheat, corn, tobacco, rice and peanuts for nuts.
2. Nonbasic commodities: All commodities other than basic, including the Steagall commodities—hogs, eggs, chickens over 3½ pounds, turkeys, milk, butterfat, certain dry pea and dry edible bean varieties, soybeans and peanuts for oil, American-Egyptian cotton, Irish and sweet potatoes.

Title I (Effective January 1, 1949)

The current parity price formula continues in use under this title.

Price supports for basic commodities are extended through June 30, 1950, to coöperators at 90% of parity price for the commodity as of the beginning of the marketing year and to noncoöperators at 54% of parity on that amount of the commodity which would be subject to penalty if marketed. To be a coöperator the farmer must comply with certain farm acreage allotments determined by the Department of Agriculture.

Price supports for milk and its products, hogs, chickens and eggs at 90% of parity are extended through December 31, 1949.

Price supports for Steagall commodities, other than those specified above, of not less than 60% of parity price nor more than the 1948 support price are authorized through December 31, 1949.

Wool will be supported at its 1946 support price until June 30, 1950.

Support price levels are not specified for other nonbasic commodities, but it is declared to be the intent of Congress that the lending and purchase operations of the Department of Agriculture shall be carried out through December 31, 1949, to bring the price of these commodities and the income of producers to a fair parity relationship with basic and Steagall commodities.

The Secretary of Agriculture is authorized to require compliance with production goals and marketing regulations as a condition of producer eligibility for price supports for all nonbasic commodities.

Title II (Effective January 1, 1950)

A revised parity price formula is provided under this title in which base prices will be adjusted to reflect the actual price relationships which existed among the various commodities during the 10-year period immediately preceding the year for which parity prices are being calculated.

Parity price for each commodity is then computed by multiplying the adjusted base price by the over-all index of prices paid by farmers. In the revised formula, parity prices will reflect the actual price relationships existing in the immediately preceding 10-year period rather than those existing in the base period as with the current parity price formula.

During the period of transition from the old to the revised formula, the parity price for any particular commodity is not permitted to fall by more than 5% in any one year.

Basic commodities are to be supported at between 60% and 90% of revised parity as of the beginning of the marketing year. A formula is provided for determining support prices within this range.

This formula is tied to a so-called normal supply of each commodity so that support prices will be at 75% of parity for a normal supply and will be adjusted upward or downward within the limits of 60% and 90% at the rate of 1% of parity for each 2% that supply varies from normal.

Normal supply of any particular commodity in a given year is the sum of domestic consumption and exports in the previous year plus allowance for carry-over.

Two exceptions to the above price support formula are of significance to the California farmer. First, if acreage allotments are in effect at the beginning of the planting season or if marketing quotas are in effect at the beginning of the marketing year for a commodity, the support price to coöperators might be higher than specified; and second, if marketing quotas for a particular commodity have been disapproved by producers, the support price will be below the range specified.

The price of Irish potatoes harvested after December 31, 1949, is to be supported at between 60% and 90% of the revised parity price of potatoes as of the beginning of the marketing season.

The wool price is to be supported at between 60% and 90% of its revised parity price as of January 1—the price to be set at a level which will encourage an annual United States production of approximately 360 million pounds of shorn wool.

Prices of nonbasic commodities other than Irish potatoes and wool are to be supported at no more than 90% of the revised parity price as of the beginning of the marketing year or calendar year. whichever is applicable, with no minimum limit specified.

In determining the exact level of the support price for any nonbasic commodity the Secretary of Agriculture is directed to consider the supply of the commodity in relation to demand, price levels at which other commodities are being supported, the availability of funds, the ability and willingness of producers to keep supplies in line with demand and other factors.

With the exception of Irish potatoes, the Commodity Credit Corporation is prohibited from carrying out any support price operation on any nonbasic commodity which is so perishable as not to be reasonably storable without excess loss or excessive cost. The Secretary of Agriculture is authorized to carry out such operations with funds made available to him by other previously enacted legislation.

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