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History of Agricultural Price-Support and Adjustment Programs, 1933-84

Background for 1985 Farm Legislation

- **ORIGIN OF ADJUSTMENT PROGRAMS**
- **AGRICULTURAL ADJUSTMENT IN THE 1930's**
- **WARTIME MEASURES**
- **POSTWAR PRICE SUPPORTS**
- **FARM PROGRAMS IN THE 1960's AND 1970's**
- **RECENT LEGISLATION**

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ABSTRACT

The U.S. Department of Agriculture's concern with price-support and adjustment legislation is carried out under a series of interrelated laws passed by Congress from 1933 to 1984. Beginning with the major proposals of the 1920s for handling and marketing farm surpluses, this history records the establishment of price-support and adjustment programs with the Federal Farm Board in 1929 and the Agricultural Adjustment Acts of 1933 and 1938, and then traces their evolution through 1984. This half century of development is important because it forms the foundation for implementing current and future farm legislation.

Key words: Price support, production adjustment, history, Depression.

PREFACE

Congress will consider new farm legislation in 1985 to replace the expiring Agriculture and Food Act of 1981. In preparation for these deliberations, the Department of Agriculture and many groups throughout the Nation are studying the experience under the 1981 law and preceding legislation to see what lessons can be learned that are applicable to the 1980s. This history of USDA price-support and adjustment programs supplements an earlier series of background papers on the key characteristics of 14 commodities, the farm industries which produce them, and the farm programs under which they are produced. These papers, available from EMS Information, 1470-S, USDA, Washington, DC 20250, (202/447-7255), focus on Honey (AIB-465), Wool and Mohair (AIB-466), Wheat (AIB-467), Tobacco (AIB-468), Peanuts (AIB-469), Rice (AIB-470), Corn (AIB-471), Soybeans (AIB-472), Oats (AIB-473), Dairy (AIB-474), Sorghum (AIB-475), Cotton (AIB-476), Barley (AIB-477), and Sugar (AIB-478). Other background papers available are Federal Credit Programs for Agriculture (AIB-483), and Impacts of Policy on U.S. Agricultural Trade (ERS Staff Report No. AGES840802).

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SUMMARY OF MAJOR AGRICULTURAL LEGISLATION,
1933-1984

Agricultural Adjustment Act of 1933

- *the first major price support and acreage reduction program
- *set parity as the goal for farm prices
- *acreage reduction achieved through voluntary agreements with producers
- *markets regulated through voluntary agreements with processors and others
- *processing taxes used to offset cost of program

Agricultural Adjustment Act Amendments of 1935

- *gave President authority to impose import quotas when imports interfered with agricultural adjustment programs
- *designated 30 percent of customs receipts to promote agricultural exports and domestic consumption and help finance adjustment programs

Soil Conservation and Domestic Allotment Act of 1936

- *payments to farmers authorized to encourage conservation
- *set parity as the goal for farm income

Agricultural Adjustment Act of 1938

- *reenacted a modified Soil Conservation and Domestic Allotment Act
- *provided for acreage allotments, payment limits, protection for tenants
- *first comprehensive price support legislation with nonrecourse loans
- *marketing quotas established for several crops

Steagall Amendment of 1941

- *required support of many nonbasic commodities at 85 percent of parity or higher
- *soon amended to require 90 percent of parity and extended for 2 years after war

Agricultural Act of 1948

- *shifted price supports from fixed to flexible, a move postponed several years
- *modernized parity formula

Agricultural Act of 1949

- *became part of fundamental legislation along with 1938 Act; last major act without an expiration date
- *superseded 1948 Act, postponing flexible price supports
- *cushioned impact of new parity formula

Agricultural Act of 1954

- *established flexible price supports beginning 1955
- *authorized a CCC reserve for foreign and domestic relief

Agricultural Trade Development and Assistance Act of 1954 (P.L. 480)

- *became the basic act for selling and bartering surplus commodities overseas and for overseas relief

Agricultural Act of 1956

- *began Soil Bank program for long- and short-term removal of land from production

Emergency Feed Grain Program of 1961

- *launched a voluntary acreage reduction program with PIK provisions

Food and Agriculture Act of 1962

- *continued feed grain acreage reduction program
- *provided two-tiered feed grain supports with price support payments in addition to nonrecourse loans
- *proposed a mandatory wheat program, voted down by referendum

Agricultural Act of 1964

- *established a wheat certificate program
- *began a cotton PIK program

Food and Agriculture Act of 1965

- *first in a series of comprehensive, multi-year farm laws; lasted 5 years
- *extended voluntary acreage controls to wheat and cotton
- *wheat certificate program from 1964 extended

Agricultural Act of 1970

- *provided a more flexible approach to supply control through set asides
- *limit of government payments to \$55,000 per crop

Agriculture and Consumer Protection Act of 1973

- *target prices and deficiency payments replaced price support payments
- *payment limit lowered to \$20,000
- *emphasized expanded production to meet world demand

Food and Agriculture Act of 1977

- *raised price and income supports
- *continued flexible production controls and target prices
- *established farmer-owned reserve for grains
- *set up new two-tiered peanut program

Agriculture and Food Act of 1981

- *contained a number of cost-cutting measures
- *set specific target prices for 4-year length of bill
- *rice allotments and marketing quotas eliminated
- *dairy supports lowered

Omnibus Budget Reconciliation Act of 1982

- *froze dairy price supports

No Net Cost Tobacco Program Act of 1982

- *established producer-supported fund to repay Government for program costs
- *required disposal of some nonfarm allotment holdings

Payment-in-Kind (PIK) Program of 1983

- *provided voluntary, massive acreage reduction by adding payments in kind to regular acreage reduction payments for grain, upland cotton, and rice; instituted by executive action

Dairy and Tobacco Adjustment Act of 1983

- *froze tobacco price supports
- *launched a voluntary dairy diversion program

Agricultural Programs Adjustment Act of 1984

- *froze target price increases provided in 1981 Act
- *paid diversions authorized for feed grains, upland cotton, and rice
- *wheat PIK program provided for 1984

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