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BUILDING ROOM

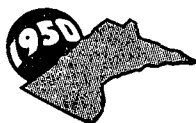
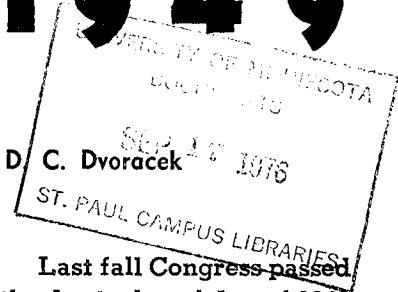
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Extension Pamphlet 172

③ MN20005772

# Agricultural **ACT**

1949



Last fall Congress passed the Agricultural Act of 1949 as a means of stabilizing farm prices. After a boom, farm prices usually have fallen first, gone lower, and stayed down longer than prices paid by farmers. Thus they seemed to lead the way into a serious depression. The act was passed in belief that supporting farm prices may now prevent or alleviate a general depression.

The Agricultural Act of 1949 went into effect January 1, 1950. It replaces the Act of 1948 and continues permanent supports for many farm products. This folder explains the main provisions of the act.

## LOOKING AHEAD



UNIVERSITY OF MINNESOTA  
*Agricultural Extension Service*  
 U. S. DEPARTMENT OF AGRICULTURE

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## General Provisions

- 1 Prices will be supported up to 90 per cent of parity, depending on classification of products, supply and demand, and need.
- 2 The parity formula, as modernized in the Act of 1948, will include wartime subsidy payments in prices received and wages paid farm labor in prices paid.
- 3 Farmers are entitled to price support if they do not overplant their acreage allotment and comply with acreage goals and authorized marketing quotas.
- 4 Support prices may be above 90 per cent of parity if the Secretary, after public hearing, believes they are needed to prevent a shortage of a product essential to the nation's welfare.
- 5 The Secretary must announce support price levels before the planting or marketing season begins so farmers will know what to expect in 1950.
- 6 The Commodity Credit Corporation cannot sell basic or storable nonbasic farm products at less than 5 per cent above the current support price paid for that commodity plus reasonable carrying charges, with definite exceptions.
- 7 Perishable food products may be used to pay for products not produced in the United States. The rest will be distributed free at point of storage.
- 8 Cooperatives may borrow up to 80 per cent of cost to build storage (except cold storage) if the CCC will lease at least 75 per cent of new space for 3 years or for 2 years if space is an addition.
- 9 Carry-over of corn may be 10 per cent of domestic and export requirements instead of 7 per cent.

The Agricultural Act of 1948 is repealed.

## Price Supports Mandatory For Basic Crops

**1950**—Basic farm products are corn, wheat, cotton, rice, tobacco, and peanuts. Prices for the 1950 crop of these products must be supported at 90 per cent of parity (new formula) for producers who do not knowingly overplant acreage allotment, if marketing quotas are offered and approved by farmers.

**1951**—The 1951 crop must be supported at 80 to 90 per cent of parity (new formula) if acreage allotments or marketing quotas are in effect. The percentage of parity is determined by what the percentage of the supply on hand or available at the beginning of the year (total supply) is to the amount needed during the current year (normal supply). The higher the supply percentage, the lower the support.

**1952 and beyond**—The 1952 crop and succeeding crops must be supported at 75 to 90 per cent of parity. The exact level will be set by supply percentage allotments.

The support price for 1950 to 1953 crops, inclusive, may be determined by the 1909-1914 parity formula if that level is higher than the level set by the new parity formula.

**If marketing quotas are offered and not approved, the support price level will be 50 per cent of parity.**

Cooperating farmers in noncommercial corn areas will receive 75 per cent of support levels of cooperators in commercial corn areas.

## Some Nonbasic Products Have Special Supports

Some nonbasic products receive special consideration under the act.

**Wool, tung nuts, honey, and white potatoes** must be supported at 60 to 90 per cent of parity. Wool prices must be supported at a level that will encourage the production of at least 360 million pounds of shorn wool annually.

**Whole milk, butterfat, and their products** must be supported at 75 to 90 per cent of parity and at a level that will assure an adequate supply. Prices will be supported by government loans or purchases. Butter, cheese, evaporated milk, and dried milk will be favored.

**Other nonbasic farm products** may be supported at less than 90 per cent of parity depending on: 1) supply and demand; 2) support price levels of other products; 3) available funds; 4) danger of

spoilage of product; 5) importance of product as a source of income to the nation; 6) opportunities to sell stock required; 7) relation to foreign markets; and 8) cooperation of producers in keeping supplies in line.

Special consideration will be given storable nonbasic farm products.

Nonbasic perishable products that do not get mandatory support are also provided for in the act. Tariff revenue set aside for use in this act is to be used mainly for supporting such products.

## THE NEW PARITY FORMULA

The new parity formula set up in the 1948 Act is included in the 1949 Act. To find the adjusted base price divide the average prices of a specific product received by farmers during the last 10 years (1940-1949 for 1950) by the average index of prices of all products received by farmers during that time. To get the parity price for any product, multiply adjusted base price by the index of prices paid by farmers.

## Where Surplus Products Go

Surplus products go to the Commodity Credit Corporation. This corporation must not sell any basic or storable nonbasic product at less than 5 per cent above the amount of support price plus reasonable storage charges with certain exceptions. These are: 1) sales for new or by-product uses; 2) oil seeds for oil; 3) sales for seed or feed; 4) spoiling products; 5) sales for export; and 6) sales of wool.

**Perishable food products** that are likely to spoil may be turned over to the Munitions Board to be used to pay for products not produced in the United States. The rest may be given cost free, where stored, for school lunches and to help needy people in the United States and abroad. This means that surplus perishable products are more sure to be used as food and not wasted.

The ten-year moving average used as a base for figuring parity would tend to keep farm prices high so long as a low-price year would be dropped and a high-priced year added.

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