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Farm Commodity Legislation: Chronology, 1933-2002

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Summary

Since 1933, Congress has required the U.S. Department of Agriculture (USDA) to administer various price and income support programs for U.S. farmers. Some standing authority for these programs is provided by three permanent laws, from 1938, 1948, and 1949. However, Congress frequently alters the basic provisions of these laws. The omnibus law now guiding farm support (through 2007) is the Farm Security and Rural Investment Act of 2002. This report will be updated if events warrant.

Historical Notes

Farm commodity programs were a product of the Great Depression. After World War I, farm prices dropped from their wartime highs, as economic recovery in Europe lessened the demand for U.S. farm products. Many producers struggled financially throughout the 1920s; their voluntary cooperative efforts to bolster prices (mainly by controlling supplies) failed. Meanwhile, farm advocates in Congress called for more aggressive government intervention. The situation became more acute when farm prices fell by more than 50% between 1929 and 1932 alone, and net farm income plummeted even more precipitously. (About a fourth of the population resided on farms at the time, compared with less than 2% today.)

Congress responded by passing the Agricultural Adjustment Act of 1933 (see below), among the first pieces of New Deal legislation proposed by incoming President Franklin D. Roosevelt. Key features of the new law included mandatory USDA price support for specified commodities, direct subsidy payments to farmers, and supply controls. Congress has frequently amended the early legislation, modifying program operations or creating new support techniques, in response to changing conditions in the farm sector, federal budgetary pressures, shifts in policy goals, or for other reasons. This brief chronology of key commodity support laws since 1933 generally excludes legislation with provisions devoted mainly to disaster-related farm assistance.

Major Laws¹

Agricultural Adjustment Act of 1933 (P.L. 73-10), signed May 12, 1933, introduced the price support programs, including production adjustments, and incorporation of the CCC under Delaware laws. The Act made price support loans by the CCC mandatory for the designated “basic” (storable) commodities: corn, wheat, and cotton. Support for other commodities was authorized upon recommendation of the Secretary with the President’s approval. Program benefits were financed mostly by a specific tax on each supported commodity at the point of processing. Commodity loan programs carried out by the CCC from 1933 through 1937 included those for cotton, corn, turpentine, rosin, tobacco, peanuts, dates, figs, and prunes. The production control and processing taxes were declared unconstitutional by the Supreme Court in 1936.

Agricultural Adjustment Act Amendment of 1935 (P.L. 74-320), August 24, 1935, gave the President authority to impose quotas when imports interfered with agricultural adjustment programs; Section 32 of the law also permanently appropriated 30% of all customs receipts to expand exports and domestic usage of surplus commodities.

Soil Conservation and Domestic Allotment Act of 1936 (P.L. 74-461), February 29, 1936, provided for soil conservation payments to participating farmers. It introduced income parity, defined as the ratio of purchasing power of the net income per person on farms to net income per person not on farms during the August 1909-July 1914 period.

Agricultural Marketing Agreement Act of 1937 (P.L. 75-137), June 3, 1937, provided authority for federal marketing orders, and also reenacted and amended certain provisions of the Agricultural Adjustment Act of 1933.

Agricultural Adjustment Act of 1938 (P.L. 75-430), February 16, 1938, made price support mandatory for corn, cotton, and wheat to help maintain a sufficient supply for low-production times along with marketing quotas to keep supply in line with market demand. It also permitted supports for butter, dates, figs, hops, turpentine, rosin, pecans, prunes, raisins, barley, rye, grain sorghum, wool, winter cover crop seeds, mohair, peanuts, and tobacco for the 1938-40 period. The 1938 Act is considered part of permanent agriculture legislation. Provisions of this law are often superseded by more recent legislation.

Steagall Amendment of 1941 (P.L. 77-144), July 1, 1941, required support for many nonbasic commodities at 85% of parity or higher. In 1942, the minimum rate was increased to 90% of parity and was required to be continued for 2 years after the end of World War II (see parity definition under 1936 act, page 2). The “Steagall commodities” include hogs, eggs, chickens (with certain exceptions), turkeys, milk, butterfat, certain dry peas, certain dry edible beans, soybeans, flaxseed and peanuts for oil, American-Egyptian cotton, potatoes, and sweet potatoes.

Commodity Credit Corporation Charter Act (P.L. 80-806), June 29, 1948, reestablished the CCC (first created in 1933) and specified its authorities to carry out price and income support activities.

¹ Information on the early laws is drawn from materials by USDA’s Economic Research Service.

Agricultural Act of 1948 (P.L. 80-897), July 3, 1948, made price support mandatory at 90% of parity for certain basic crops (corn, cotton, peanuts, rice, tobacco, and wheat). It also provided that beginning in 1950, parity be reformulated to take into consideration average prices of the previous 10 years, as well as the 1910-14 base period.

Agricultural Act of 1949 (P.L. 81-439), October 31, 1949, makes up the major part of permanent commodity legislation (along with the Agricultural Adjustment Act of 1938) and is still effective in an amended form. The 1949 Act originally designated mandatory support for nonbasic commodities: wool and mohair, tung nuts, honey, Irish potatoes and milk, butterfat, and their products.

Agricultural Act of 1954 (P.L. 83-690), August 28, 1954, established a flexible price support beginning in 1955 for basic crops (excluding tobacco) at 82.5-90% of parity and authorized a CCC reserve for foreign and domestic relief. Title VII of the Act, the **National Wool Act of 1954**, provided for a new price support program for wool and mohair to encourage domestic production (set at 300 million pounds for 1955).

Agricultural Act of 1956 (P.L. 84-540), May 28, 1956, created the Soil Bank Act authorizing the acreage reserve program for grains, cotton, peanuts, and tobacco. It also provided for a 10-year conservation reserve program.

Food and Agricultural Act of 1962 (P.L. 87-703), September 27, 1962, authorized an emergency wheat program with voluntary diversion of wheat acreage and continued feed grain support. It also included a marketing certificate program for wheat, but it was rejected by wheat producers, who were required to approve its marketing quota.

Agricultural Act of 1964 (P.L. 88-297), April 11, 1964, authorized a 2-year voluntary marketing certificate program for wheat and a payment-in-kind (PIK) program for cotton.

Food and Agricultural Act of 1965 (P.L. 89-321), November 3, 1965, provided 4-year commodity programs for wheat, feed grains, and upland cotton. Extended for an additional year by P.L. 90-559, it authorized a long-term diversion of land under a cropland adjustment program, and it continued payment and diversion programs for feed grains and cotton, and certificate and diversion programs for wheat.

Agricultural Act of 1970 (P.L. 91-524), November 30, 1970, in effect through 1973, established a cropland set-aside program and a payment limitation per person (set at \$55,000 per crop).

Act of April 14, 1971 (P.L. 92-10), April 14, 1971, provided for poundage quotas for burley tobacco in place of farm acreage allotments.

Agriculture and Consumer Protection Act of 1973 (P.L. 93-86), August 10, 1973, an omnibus law, created target prices and deficiency payments to replace former price support payments. It set annual payment limits at \$20,000 for all program crops and authorized disaster payments and a disaster reserve of inventories, among other things.

Food and Agriculture Act of 1977 (P.L. 95-113), September 9, 1977, an omnibus law, increased price and income supports, established a farmer-owned reserve for grain, and created a new two-tiered peanut program.

Agriculture and Food Act of 1981 (P.L. 97-98), December 22, 1981, an omnibus law, focused on making U.S. commodities competitive abroad. It set specific target prices for 4 years, eliminated rice allotments and marketing quotas, and lowered dairy supports.

Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253), September 8, 1982, was a government-wide law that froze dairy price supports and mandated crop loan rates and acreage reduction programs for 1983.

Extra-Long Staple Cotton Act of 1983 (P.L. 98-88), August 26, 1983, eliminated marketing quotas and allotments for extra-long staple cotton and tied its support to upland cotton through a formula.

Dairy and Tobacco Adjustment Act of 1983 (P.L. 98-180), November 29, 1983, froze tobacco price supports and altered dairy supports, including the establishment of a voluntary milk diversion program.

Agricultural Programs Adjustment Act of 1984 (P.L. 98-258), April 10, 1984, froze target price increases provided in the 1981 Act, authorized paid land diversions for feed grains, upland cotton, and rice, and provided a wheat payment-in-kind program for 1984.

Food Security Act of 1985 (P.L. 99-198), December 23, 1985, an omnibus law, allowed lower price and income supports, reduced dairy supports, and established a dairy herd buyout program and a conservation reserve program targeted at enrolling erosive croplands, among other things.

Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), April 7, 1986, was a government-wide law which among other things canceled the tobacco quotas previously announced for the 1986 marketing year and gave the Secretary the authority to establish 1986 and subsequent quotas.

Technical Corrections to Food Security Act of 1985 Amendments (P.L. 99-253), February 28, 1986, gave the Secretary discretion to require cross-compliance for wheat and feed grains instead of mandating it, and changed acreage base calculations.

Food Security Improvements Act of 1986 (P.L. 99-260), March 20, 1986, made further modifications to the Food Security Act of 1985, including changes in rules for usage of unplanted program acres, and increased deductions from milk prices received by producers to fund the whole herd buyout program.

Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509), October 21, 1986, was a government-wide law which among other things required advance deficiency payments for 1987 crops of grains and cotton.

Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), December 22, 1987, was a government-wide law that set the 1988 fiscal year budget for agriculture and all federal agencies. It set target prices for 1988 and 1989 program crops, loan rates for program and nonprogram crops, and required a voluntary paid land diversion for feed grains. The law also further defined a "person" who is eligible to receive program payments.

Disaster Assistance Act of 1988 (P.L. 100-387), August 11, 1988, was largely a disaster assistance bill that also permitted program crop producers to plant 10-25% of their permitted acreage to soybeans and sunflower seeds without loss of base.

Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418), August 23, 1988, revised statutory procedures for addressing unfair trade practices and import damage to U.S. industries. It gave the Secretary discretionary authority to trigger marketing loans for wheat, feed grains, and soybeans, if it is determined that unfair trade practices exist.

Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239), December 19, 1989, was a government-wide measure that among other things changed the planting provisions of the Disaster Assistance Acts of 1988 and 1989. It allowed program crop producers to plant up to 25% of their permitted acreage to soybeans, sunflowers, and safflowers for the 1990 crop.

Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508), November 5, 1990, among other things amended the Food, Agriculture, Conservation, and Trade Act of 1990 (below) to reduce farm spending for 1991-95. It included a mandatory 15% planting flexibility provision for program crops, and assessments on certain other crop subsidies.

Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624), November 28, 1990, as 5-year omnibus farm law, among other things froze minimum target prices, limited total acreage eligible for deficiency payments but allowed more planting flexibility, changed price support formulas for many commodities, and altered rules for operation of grain reserves.

Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66), August 10, 1993, included provisions to trim subsidies and/or change assessments for various commodity programs.

Amendments to the National Wool Act (P.L.103-130), November 1, 1993, phased out wool and mohair price supports at the end of 1995.

Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104-127), April 4, 1996, and effective through 2002, was intended to accelerate a long-term shift toward a more “market-oriented” farm policy. The law replaced grains and cotton target price payments with 7-year contracts providing fixed but declining annual “market transition payments” no longer tied to market prices. Persons with land enrolled in past grain and cotton programs were eligible. Acreage reduction programs and most planting restrictions were ended. Elimination of farmer-owned grain reserves, lower CCC loan rates, and use of marketing loan repayment provisions effectively curtailed USDA’s role in commodity storage and management. Other provisions repealed the honey program; were to phase out the current dairy price support program by the end of 1999; continued, with modest changes, the sugar and peanut programs; and created a “Commission on 21st Century Production Agriculture” to make recommendations about future farm policy.

Emergency Farm Financial Relief Act of 1998 (P.L. 105-228), August 12, 1998, authorized the early release of \$5.5 billion in FY1999 contract payments to participants.

FY1999 Omnibus Consolidated and Emergency Appropriations Act (P.L. 105-277), October 21, 1998, provided \$5.9 billion in one-time emergency spending for USDA

programs, nearly \$2.9 billion of it for grain and cotton contract holders (see above), and \$200 million for dairy farmers, to compensate them for “regional economic dislocation, unilateral trade sanctions and the failure of the government to pursue trade opportunities aggressively.” Other new spending in the bill included: new recourse loans for mohair and honey, plus about \$2.5 billion disaster-related aid for crop and livestock losses.

Emergency Supplemental Appropriations Act (P.L. 106-31), May 21, 1999, provided mainly farm disaster aid, but \$145 million was for hog producers hit by low prices.

FY2000 Agriculture Appropriations Act (P.L. 106-78), October 22, 1999, provided \$8.7 billion in emergency funding for USDA programs, including \$6.5 billion in “market loss” payments for specified commodity growers in response to low prices; \$1.2 billion in payments for 1999 disasters; a doubling of the limit on 1999 marketing loan gains (to \$150,000 per person per farm and \$300,000 for up to three farms), and new farm loan funds, among other things.

Agricultural Risk Protection Act of 2000 (P.L. 106-224), June 20, 2000, Title II, provided \$7.1 billion in emergency farm assistance, including \$5.5 billion in FY2000 market loss payments mainly for grain and cotton growers; \$1 billion of market loss payments for growers of oilseeds, tobacco, peanuts, and wool/mohair; \$301 million for fruit and vegetable growers; and modifications expanding crop loan program benefits.

FY2001 Agriculture Appropriations Act (P.L. 106-387), October 28, 2000, Title VIII, contained an extra \$3.5 billion for farmers. Although most of the money was for disaster losses, nearly \$900 million of it was compensation for low prices for several commodities, and the law extended, for 2000, the doubled per-person limit on marketing loan gains.

Crop Year 2001 Agricultural Economic Assistance Act (P.L. 107-25), August 13, 2001, provided \$5.5 billion in emergency farm assistance, including \$4.6 billion in market loss payments mainly for grain and cotton growers; \$700 million in supplementary payments for oilseeds, peanuts, tobacco, wool, mohair; \$133 million for specialty crops; and \$26 million in agricultural block grants to states.

Farm Security and Rural Investment Act of 2002 (P.L. 107-171), May 13, 2002, continues both fixed payments to producers of major crops without most planting restrictions, and nonrecourse marketing assistance loans. The act also creates a new system of “counter-cyclical assistance” similar in some respects to the target price payments in effect between 1973 and 1995; revives price support (loans) for wool, mohair, and honey; makes lentils, chickpeas, and dry peas eligible for loans; redesigns the peanut program to operate like that for grains and oilseeds; and extends with modifications the dairy and sugar programs, among other things. The CBO-estimated cost over the 6-year life of the bill’s commodity provisions was \$98.9 billion. Critics argue that the bill’s new supports and high cost slow or reverse the trend toward market orientation in farm policy; defenders disagree, contending that it will provide support close to the 1996 law as supplemented by the successive emergency farm assistance bills from 1998 to 2001.

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