McNary-Haugen Wheat Plan Bill Explained

The following address, delivered by W. L. Thompson before the conference of farmers, business men and bankers at Pendleton, Saturday, January 19th, is a clear and concise explanation of the McNary-Haugen bill.—Editor's note.

(By W. L. Thompson)

In accepting the invitation to address this conference, held for the purpose of discussing the organization of the Wheat Growers Commission League, it was agreed that any address should be confined to a discussion of the legislation as presented to congress in the form of the McNary Haugen Bill. I understand other speakers will detail the plan for the organization of the league.

Approaching the subject it appears that the findings set out the Bill as introduced will prove interesting.

Findings.

1. That a national emergency injurious to the general welfare exists by reason of the continued depression in agricultural.

2. That those sections producing export commodities particularly where wheat constitutes the most important and almost sole cash crop are most severely affected:

3. That the emergency will continue until world equilibrium between production and consumption is restored:

4. That the important causes of depression are the low prices of farm crops and products compared with prices of commodities the farmer buys and to high costs of production:

7. That the correction of existing conditions through such means as regulation of production, diversification, stimulation of domestic consumption, securing additional foreign outlets and further development of cooperative marketing should be pressed in every proper way but will be effective only in part or must necessarily consume so much time that the injurious effects now evident for more than three years will continue over a long period:

8. That reduction of acreage, particularly of wheat, to domestic consumptive requirements would in years unfavorable to production tend to cause wheat bread famines in the United States:

9. That a protective traiff is being used as a safeguard of American standards of labor and living against progressive descent to the lower levels of other nations occasioned by the present depressed and demoralized economic conditions of the world:

12. That world price determines domestic prices of every crop and other product of which we produce a surplus for export and that therefore agricultural tariffs do not protect such crops and products:

13. That industrial tariffs do protect effectively prices of manufactured commodities, including the labor required to produce them:

14. That the laws regulating immigration afford industrial labor further protection:

15. That import duties can and do protect crops and products of which no surplus or only negligible one, is produced for export:

16. That the protection properly afforded industry increases price of manufactured commodities needed by the farmers:

17. That the price of the export surplus fixes the price of the whole domestic supply:

18. That world prices collapse with general world depression:

19. That domestic prices of crops and products of which we produce an export surplus collapse with world depression:

20. That the protective tariff of the United States prevents or minimized collapse in prices of industrial and non-export commodities within the country.

21. That protection thus operates inadvertently to subsidize industry to the detriment of agriculture by leaving the farmer to sell at world prices products which the tariff cannot protect and by leaving him with thus diminished buying power to purchase his needs of effectively protected commodities:

22. That the remedy lies ultimately in the reduction of the quantities of export crops and products produced:

23. That great variations in production of farm crops and products occur from year to year.

24. That national social and economic welfare requires the production of quantities certain to exceed the average annual total consumption lest actual shortage occur injurious to American consumers:

25. That farm production by reason of climate, weather, plant, diseases, insects pests, rotation requirements, soil fitness, management problems, and other reasons cannot be subjected to the same ready control as is the case in other industries:

26. That the national welfare calls for the production of ample supplies of wheat cotton, corn livestock and other crops and products.

27. That such production necessarily involves a surplus available for export each year.

28. That under existing world conditions private enterprise is not in a position to assume the risk and expense of creating and operating an organization for segregating currently thru the year the exportable surplus of crops and products and disposing of the same at world prices lower than domestic prices

29. That by reason of the great number engaged in the production of crops and products of which we produce a surplus for export, gradual evolution over a period of years will be required for the farmers themselves to establish such comprehensive cooperative organization for marketing as will be necessary effectively to handle, distribute, and sell export surpluses in foreign markets.

30. That to confer benefits on exportable surplus crops similar to those enjoyed by manufactured and non-export commodities the creation of an agency or device suited to attaining this purpose is necessary, in addition to a protective tariff.

31. That such agency or device, whether operated under private or governmental auspices, must necessarily engage directly and indirectly in the purpose and sale of the commodities sought to be protected:

32. That any gains or losses arising from the sale at world prices of crops or products should be charged back prorata to the producers thereof:

33. That the creation of equality of agriculture with industry under a protective traiff warrants the creation of an emergency designed to insure a fair exchange value for export farm crops and products with other commodities.

General Statement.

Among the various plans which have been proposed for relief of the wheat producer, many contain features not considered desirable. The plan which has met with the greatest favor is known as the "Wheat Export Commission Plan" While this plan has been opposed by exporters and has been adversely acted upon by the Portland Chamber of Commerce, it is believed that that action might be modified and even reversed by further campaign of education among not only the dealers but the other business interests making up the membership of that body. The operation of this plan does not contemplate the doing away with the present marketing agencies but will supplement them during periods of emergency.

The action taken by some of the Commercial bodies and farm organizations in various sections of the grain growing districts of Washington and Idaho, having in view a boycott of the general business interests of the City of Portland, is a very unwise move and should not receive the support of the Export League now being formed. It is well to understand that this plan is a new application of the protective policy; and as stated before requires a campaign of education to properly convince all interested in its merits. It is not to be expected that a new and untried plan will meet with the immediate approval of everyone. The prime purpose of the organization of the Wheat Export Commission League is to carry on this campaign of education and through it to present a united front to congress and the administration.

Section 14.

That in order in any emergency to give effect to the operations of the Agricultural Export Corporation with respect to the crops and products handled by it, the President, upon recommendation of the United States Department of Agriculture and the United States Tariff Commission, may by proclamation order an embargo against the importation of the same or similar crops and products from foreign countries or may proclaim such increases or decreases in rates of duty as will protect the affected farm industries of the United States by maintaining a relative price level substantially equal to but not higher than the ten year average price per unit which prevailed during the prewar period from 1905 to 1914 inclusive. Not less than 30 days shall expire between the date of any proclamation by the President and the taking effect of any embargo or change in any rate of duty.

Whenever in any emergency the President shall have taken action to protect the interests of American agriculture under this section either by embargo or by change in the rate of duty and thereafter the conditions requiring such action shall have terminated, the President shall by proclamation restore the status existing under the Tariff Act of 1922 or intervening amendments thereof prior to the taking of such action, provided that Section 315 of the Tariff Act of 1922 is hereby amended in such a manner as to authorize the President to direct either the United States Tariff Commission or the United States Department of Agriculture to make investigations under said section.

Section 15.

That wheat and flour, cotton and livestock and its products are hereby declared to be crops and products whose prices in the domestic market is determined by world price.

Whenever an emergency shall arise which in the judgement of the Commission, after investigations by it, requires the segregating of the exportable surplus from the domestic supply of any such crops and products in order that the same may be marketed separately the Commission shall so advise the President in writing with its recommendations. He is authorized thereupon to direct the Corporation to take such steps as may be necessary to affect the purposes of this Act intended with respect to each and every crop and product covered hereby.

The Commission is hereby authorized to determine by investigation from time to time when any emergency may seem to call for action what, if any, other crop or crops, product or products, shall be brought under the operation of this Act.

Section 17.

That the Commission for the purpose of this Act is empowered to determine in cooperation with the Department of Agriculture and Commerce the probable export surplus of any crop or product handled thereunder. Such determination shall be based on a consideration of previous experience as to domestic consumption, seed reserves, commercial carryover, exports, and the estimated crop. The quantity of surplus thus found available for export shall govern the total purchases for that purpose in any crop year.

Section 18.

United States Export Commission, shall calculate by approved statistical methods the ratio price at which it will purchase crops and products under this Act. The price at which the Commission will purchase products shall be the average price at which the products sold in a corresponding monthly period in the years 1905 - 1914 inclusive, multiplied by the latest available Department of Labor monthly index number of wholesale prices based upon the ten-year average 1905-14 for the said month as 100. For this purpose the Department of Labor shall provide month by month and by not latter than the fifteenth of the following month an an index number of wholesale price for the said month based upon the average for the corresponding month in the period 1905-14 inclusive as 100. The Department of Labor shall fix and announce dates for the completion and release of index numbers for at least two months in advance, such dates to be on or about the fifteenth of each month for the preceeding month. The Commission shall ascertain and release concurrently with the release of the general price index number each month the average base-price of each commodity to be considered for the monthly period to begin with the date of the release and extending to the date set for the next release, and shall announce at the same time the ratio price for this period. For example, the ratio price of No. 1 Northern Spring Wheat for the period, December 15 to January 15, shall be determined by multiplying the average of the Minneapolis price from December 15 to January 15 in the period 1905-1914 by the index number of wholesale prices for November which is released December 15. Thus the ratio price shall be adjusted on or about the 15th of each month and shall remain unchanged until about the 15th of the next month.

Section 19.

It is hereby specified provided and declared that the price level so determined does not constitute a guaranteed fixed price for crops and other products handled under this Act but that the Corporation shall purchase and segregate for sale in foreign markets at any and at time such part as may be determined by the Commission to constitute exportable surplus, and may sell the same in the world market at the world price. The Corporation shall operate continuously during any period of emergency. When conditions require that operations commence after the season of movement of any crop or product has begun, due consideration shall be given to all persons affected thereby.

Section 20.

That the Corporation shall establish a quota of purchases for each month. That such rate of purchase shall be adhered to unless the domestic price of the crop or product shall fall more than 10 per cent below or above the established price level. In event the price falls below, the purchasing of the Corporation shall be accelerated in order to maintain the domestic price at not less than 10 per cent below the fair exchange value with other products as it existed in the period from 1905 to 1914, inclusive.

Section 21.

That for the protection of American consumers whenever the domestic price of crops or products handled under this Act rises 10 per cent or more above the fair exchange value as established hereunder the Commission may direct the corporation to sell in the domestic market any or all quantities in its possession or custody. Such sale however shall cease at any time when the price reaches the level of the fair exchange value or ratio price.

Section 22.

That whenever the rate of purchase as determined above does not maintain the ratio price the Commission may order the Corporation to purchase part or all of the quotas for future months but the total purchases shall not exceed the quantities determined as directed in Section 17.

How The Bill Would Work

Taking the figures of 1923, it is generally understood that we produced about 770,000,000 bushels of wheat, of which probably 170,000 million bushel is in excess of domestic requirements and is exported to foreign countries. The available world market price for our export wheat, about 170,000 million bushel, establishes the minimum basis price at which our 600,000 bushel consumed at home is sold. It is safe to say that under present marketing conditions that any considerable increase in price received for the exportable surplus will result in a comparable increase in domestic prices.

After the general amount of the tax and premium has been determined by the export commission, government script would be placed on sale at post offices or elsewhere throughout the country. The wheat buyer buying direct from the producer would purchase this script say at 15 cents a bushel. Then when he purchased wheat from farmers at, for example, $1.50 a bushel, he would pay $1.25 in cash and 15 cents in script for each bushel. He would make his own sales to exporters, mills and otherwise in accordance with the $1.50 price of the wheat.

The 15 cents a bushel paid by the dealers for script would go directly to the export corporation and would be used in whatever part became necessary as a premium on export sales to keep the domestic prices at the proper level throughout the year. Then at the close of the marketing season if it were found that only 7 cents a bushel had been used in this way, the remainder of 8 cents a bushel would be paid by the government at the close of the season to the farmers holding the script.

Some Questions Answered

1. Is the Government Price Fixing?

Not in any respect. It is merely a reverse application of the tariff principle, making that principle apply to what the farmer has to sell as well as to what he must buy. His export business would be handled exactly as if that of the organized manufacturing interest which disposes of its surplus production on export markets at prices below those obtaining in this country in order to maintain production and protect domestic markets from a surplus.

2. Is This Class Legislation?

It is not, but rather a method to remove the stigma of class legislation from the present tariff structure. It makes the tariff apply to all classes of American products instead of eliminating the agriculturists, a very large group.

3. Is This a Government Subsidy?

Not at all. The money appropriated for use by the commission is merely a revolving fund to be returned intact when the emergency has passed and the operations of the export body cease. Financially the farmer stands on his own feet throughout.

4. Will it Increase Production?

It will not increase production because the tax will be an ever present argument to all farmers of the evil of growing an excessive surplus. And it is obvious that the greater the exportable surplus, the higher the tax and the less the net result.

5. How Will the Plan Affect High Grade Spring Wheats?

It will maintain proper premiums, in relation to actual milling values, between the different kinds of wheat. Premium wheat will benefit equally with all other varieties. The effect will be a flat increase in basic domestic prices corresponding to the amount added to the export price. The various differentials in wheat values will, of course, be maintained.

6. Is This Plan Economically Sound?

"Economic soundness" is an empirical term, determined by relative conditions. This plan is nothing more nor less than united action on the part of the producers of a certain commodity, assisted by government action, to protect themselves from foreign competition. In other words, the tariff principle. If that principle, recognized by the government for many years is sound, then so is this plan. If steel bars may be, with economic stability, manufactured for sale in this country at a price above world prices under tariff protection, and any surplus sold to foreign markets at lower prices, then so may wheat be grown and sold.

The Necessity for Government Action.

Secretary of Agriculture, Henry C. Wallace, on December 7, 1923, made a report to the president on the wheat situation in which conditions were frankly discussed. The following excerpts are pertinent and show the necessity for prompt federal action to improve the present situation of wheat producers:

"A suit of clothes which cost the farmer in North Dakota 21 bushels of wheat in July, 1913, cost him 31 bushels in 1923, and a wagon which then cost him 103 bushels would now cost him 166 bushels.

With the November farm price of wheat only 107 per cent of the pre-war average price, the wholesale price of all commodities which is generally taken as a measure of the price level was 153 per cent in October. On the basis of this price level the average farm price of wheat should have been about $1.35 per bushel for November to give wheat pre-war purchasing power at wholesale prices.

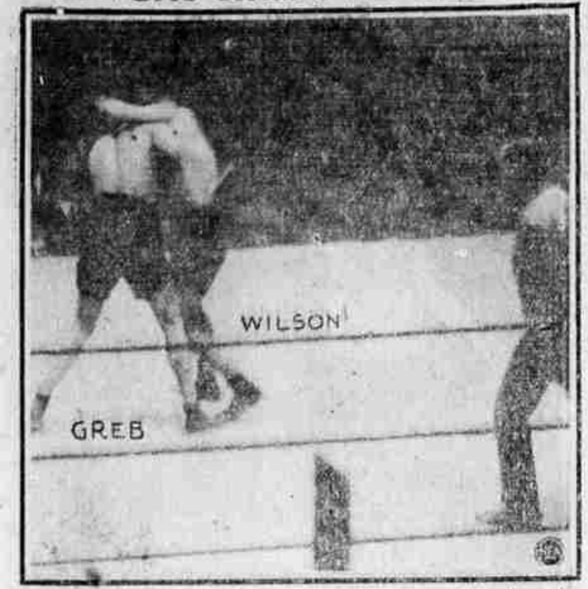
"The low price and purchasing power of wheat directly affects the income of about 2,000,000 farmers. In large areas of North Dakota, South Dakota, Kansas, Nebraska, Montana, Idaho and Washington, farmers depend almost entirely upon wheat for their cash income.

"As a direct source of cash income the wheat crop of the United States is more important than the corn crop, a large part of which is fed to livestock. In five years ending with 1922 farmers sold on the average 711,000,000 bushels of wheat and 514,000,000 bushels of corn. Moreover, a large part of the corn sold is from one farmer to another for livestock feed. Many wheat farmers produce other commodities than wheat, but the prices of many of these, such as oats, barley and rye, are below pre-war prices. The specialized wheat farmer, as a rule, does not produce, or produces only for home use, the commodities such as corn, butter, eggs, cotton and wool, which are now selling at relatively high prices.

"The low price and purchasing power of wheat is far-reaching in its effects, for not only the wheat farmer but practically all classes of business men whose income depend to any extent upon the prosperity of the wheat farmer are adversely affected.

"Inasmuch as the first step looking toward increasing the domestic price requires the disposition of the surplus over and above domestic needs, and inasmuch as the facts presented in the foregoing pages indicate that the world production of wheat will probably be overlarge for another year or so, the suggestion that the government set up an export corporation to aid in the disposition of this surplus is worthy of the most careful consideration. Such a corporation necessarily would need rather broad powers. It would not be necessary that it should undertake to handle the entire crop, and it could probably carry on its activities in co-operation with existing private agencies. If it should be found necessary to arrange for the sale of the surplus exported at a price much lower than the domestic price, the loss so incurred would properly be distributed over the entire crop. The prime duty of such an export corporation would be to restore, so far as possible, the prewar ratio between wheat and other farm products of which we export a surplus, and other commodities. Its activities would therefore expand or contract according as the relative prices for farm products varied with other commodities, and it would cease to function as pre-war ratios become fairly well restored."

Greb Retains His Title



Clinch: That's what Harry Greb and Johnny Wilson did nothing else but. Greb won the decision after 15 rounds of fighting at Madison Square Garden, New York City, thereby retaining his middleweight title as champion.