

March 16, 1933

[Message to Congress - Relief of Agriculture]

FDR Speech File

Roosevelt, Franklin Delano.

Relief of agriculture. Message to the Congress from the President of the United States transmitting recommendations for the immediate enactment of legislation to relieve agriculture and increase commodity prices, March 16, 1933.

2 p. ADS.

"1st Draft."

Photostat.

44-134-1

Some Papers of Rex
Tugwell in Group 31

File:
Master Sp File
Msg. to Congress
March 16, 1933

THE WHITE HOUSE

[Ms. 59-15]

Wm. L. Taggart

1st Draft

To the Congress:

At the same time that you and I are joining in emergency action to bring order to our banks, and ~~to~~ making ^{regular} use of federal expenditures to balance our income, I deem it of equal importance to take two other and simultaneous steps without waiting for a later meeting of the Congress. Both of these are ^{of definite} construction importance to our economic recovery.

The first relates to agriculture, and it seeks to ~~raise the ^{prices} of important farm products.~~ ~~the~~ increasing the purchasing power ^{of our farmers} and the consumption of articles manufactured in our industrial communities, and at the same time greatly ^{to} relieve the pressure of farm mortgages and ^{to} increase the asset value of farm loans made by our banking institutions.

Deep study and the joint council of many points of view ~~resulted~~ have produced a measure which offers great

P.P.E.

17

Mr. Forster

To the Congress;

At the same time that you and I are joining in emergency action to bring order to our banks, and to make our regular federal expenditures balance our income, I deem it of equal importance to take ~~the~~ other and simultaneous steps without waiting for a later meeting of the Congress. ~~Both of these are of definite, constructive importance to our economic recovery.~~ *One of these is*

~~The first~~ *and* relates to agriculture. ~~It~~ seeks to increase the purchasing power of our farmers and the consumption of articles manufactured in our industrial communities; and at the same time greatly to relieve the pressure of farm mortgages and to increase the asset value of farm loans made by our banking institutions.

Deep study and the joint counsel of many points of view have produced a measure which offers great promise of good results. I tell you frankly that it is a new and untrod path, but I tell you with equal frankness that an unprecedented condition calls for the trial of new means to rescue agriculture. If a fair administrative trial of it is made and it does not produce the hoped for results I shall be the first to acknowledge it and advise you.

The proposed legislation is necessary now for the simple reason that the spring crops will soon be planted and if we wait for another month or six weeks the effect on the prices of this years crops will be wholly lost.

Furthermore, by action at this time the United States will be in a better position to discuss problems affecting world crop surpluses at the proposed World Economic Conference.

To the Congress;

At the same time that you and I are joining in emergency action to bring order to our banks, and to make our regular federal expenditures balance our income, I deem it of equal importance to take ~~the~~ other and simultaneous steps without waiting for a later meeting of the Congress. ^{One} ~~Each~~ of these ^{is} ~~is~~ of definite, constructive importance to our economic recovery.

^{Let} ~~the first~~ relates to agriculture ^{and} seeks to increase the purchasing power of our farmers ~~and the~~ consumption of articles manufactured in our industrial communities; and at the same time greatly to relieve the pressure of farm mortgages and to increase the asset value of farm loans made by our banking institutions.

Deep study and the joint counsel of many points of view have produced a measure which offers great promise of good results. I tell you frankly that it is a new and untrod path, but I tell you with equal frankness that an unprecedented conditions calls for the trial of new means to rescue agriculture. If a fair administrative trial of it is made and it does not produce the hoped for results I shall be the first to acknowledge it and advise you.

The proposed legislation is necessary now for the simple reason that the spring crops will soon be planted and if we wait for another month or six weeks the effect on the prices of this years crops will be wholly lost.

Furthermore, by action at this time the United States will be in a better position to discuss problems affecting world crop surpluses at the proposed World Economic Conference.

(Draft of March 15, 1933)

A Bill

To relieve the existing national economic emergency by increasing agricultural purchasing power.

Be it enacted by the Senate and House of Representatives
of the United States of America in Congress assembled,

That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions in the basic industry of agriculture have affected transactions in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of this Act.

Declaration of Policy

Sec. 2. It is hereby declared to be the policy of Congress -

- (1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the pre-war period, August 1909-July 1914; and
- (2) To approach such equality of purchasing power by

gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909-July 1914.

TITLE I - - COTTON OPTION CONTRACTS

Sec. 3. The Federal Farm Board, and all departments and other agencies of the Government are hereby directed --

(a) To sell to the Secretary of Agriculture at such price as may be agreed upon all cotton now owned by them.

(b) To take such action and to make such settlements as are necessary in order to acquire full legal title to all cotton on which money has been loaned or advanced by any department or agency of the United States or held as collateral for loans or advances and to make final settlement of such loans ^{and advances} upon such terms as may be deemed advisable, in the judgment of the Secretary and the department or agency involved; and to sell this cotton also to the Secretary in the same manner as is provided in the preceding paragraph hereof.

Sec. 4. The Secretary of Agriculture shall have authority to borrow money upon all cotton in his possession or control and deposit as collateral for such loans the warehouse receipts for such cotton.

Sec. 5. The Reconstruction Finance Corporation is hereby authorized and directed to advance money and to make loans to the Secretary of Agriculture to acquire such cotton and to pay the carrying costs thereon, in such amounts and upon such terms as may be agreed upon by the Secretary and the Reconstruction Finance Corporation, with such warehouse receipts as collateral security.

Sec. 6. (a) The Secretary of Agriculture is hereby authorized and directed to enter into contracts with the producers of cotton to sell to any such producer an amount of cotton equivalent in amount to the amount of reduction in production of cotton by such producer below the amount produced by him in the preceding crop year, in all cases where such producer agrees in writing to reduce the amount of cotton produced by him in 1933, below his production in the previous year, by not less than 30 per centum, without increase in commercial fertilization per acre.

(b) To any such producer so agreeing to reduce production the Secretary of Agriculture shall deliver a non-transferable option contract agreeing to sell to said producer an amount of cotton equivalent to the amount of his estimated reduction of the cotton in the possession and control of the Secretary.

(c) The producer is to have the option to buy said cotton at the average price paid by the Secretary for the cotton procured under section 3, and is to have the right at any time up to January 1, 1934, to exercise his option, upon proof that he has complied with his contract and with all the rules and regulations of the Secretary of Agriculture with respect thereto, by taking said cotton upon payment

restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof. The Secretary of Agriculture may suspend or revoke any such license, after due notice and opportunity for hearing, for violations of the terms or conditions thereof. Any agency engaged in such handling without a license as required by the Secretary under this section shall be subject to a fine of not more than \$1,000 for each day during which the violation continues.

(4) To require any licensee under this section to furnish such reports as to quantities of agricultural commodities or products thereof bought and sold and the prices thereof, and as to trade practices and charges, and to keep such systems of accounts, as may be necessary for the purposes of this Act.

PROCESSING TAX

Sec. 9. (a) To raise revenues for the payment of extraordinary expenditures incurred by reason of the national economic emergency there shall be levied, assessed, and collected, during any marketing ^{period} ~~year~~ for any basic agricultural commodity with respect to the production of which for such ^{period} ~~year~~ rental or benefit payments are made under this Act, a tax to be paid by the processor on the first domestic processing of the commodity, whether of domestic production or imported. Such tax shall, except as hereinafter provided, equal the difference between the current average farm price for the commodity, and the fair exchange value of the commodity. Such value for any commodity shall be the price therefor which will give the commodity

the same purchasing power, with respect to articles farmers buy, as during the pre-war period, August 1909-July 1914. The current average farm price and the fair exchange value shall be ascertained by the Secretary of Agriculture from available statistics of the Department of Agriculture.

(b) If the Secretary, after investigation and due notice and opportunity for hearing to interested parties, finds at any time that the imposition of the tax at the rate hereinbefore provided has resulted or is likely to result in a substantial reduction in the quantity of the commodity or products thereof domestically consumed, he shall fix such lower rate as is necessary to maintain or restore such domestic consumption. Such rate may be revised from time to time pursuant to further findings under this subsection. In making any such finding the Secretary shall give due consideration to the following factors among others:

- (1) Reports as to wage scales, employment and unemployment in urban regions.
- (2) Changes in the consumption of the agricultural commodity and of other commodities.
- (3) Evidence derived from statistical studies of supply and demand for previous periods, which indicate the change in consumption of the commodity which would normally occur in consequence of a particular change in the cost to processors or consumers.
- (4) Other relevant data as to changes in the cost of living of consumers, consumers' buying habits, and current and prospective conditions in industry pertinent to determining the probable effective demand for the commodity.

(c) The Secretary of Agriculture shall certify to the Secretary of the Treasury from time to time the rate of tax in effect for any commodity under this Act.

MISCELLANEOUS

Sec. 10. (a) The Secretary of Agriculture may appoint such experts, and, in accordance with the Classification Act of 1923 and all Acts amendatory thereof, and subject to the Civil Service laws, such officers and employees as are necessary to execute the functions vested in him under this Act: Provided, That no salary in excess of \$7,500 per annum shall be paid to more than ten additional officers or employees of the Emergency Agricultural Adjustment Administration which the Secretary shall establish in the Department of Agriculture for the administration of the functions vested in him by this Act.

(b) The Secretary of Agriculture is authorized to establish, for the more effective administration of the functions vested in him by this Act, State and local committees, or associations of producers, and to permit cooperative associations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments.

(c) The Secretary of Agriculture is authorized with the approval of the President, to make such regulations with the force and effect of law, as may be necessary to carry out the powers vested in him by this Act. Any violation of any regulation shall be subject to such penalty, not in excess of \$100, as may be provided therein.

(d) The Secretary of the Treasury is authorized to make such regulations as may be necessary to carry out the powers vested in him by this Act, including regulations establishing conversion factors for any commodity and article processed therefrom to determine the amount of tax or duty imposed with respect thereto.

(e) The action of any officer, employee, or agent in determining the amount of and in making any rental or benefit payment shall not be subject to review by any officer of the Government other than the Secretary of Agriculture or Secretary of the Treasury.

(f) Except as provided in section 20, the provisions of this Act shall be applicable to the United States and its possessions, except the Philippine Islands, the Virgin Islands, American Samoa, and the Island of Guam.

COMMODITIES

Sec. 11. As used in this Act, the term "basic agricultural commodity" means wheat, cotton, corn, hogs, cattle, sheep, rice, tobacco, and milk and its products, and any regional or market classification, type or grade thereof; but the Secretary of Agriculture shall exclude from the operation of the provisions of this Act, during any period, any such commodity or classification, type, or grade thereof if he finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that the conditions of production, marketing, and consumption are such that during such period this Act cannot be effectively administered to the end of effectuating the declared policy with respect to such commodity or classification, type or grade thereof.

APPROPRIATION

Sec. 12 (a) The proceeds derived from taxes imposed under this Act are hereby appropriated to be available to the Secretary of Agriculture for rental and benefit payments and administrative expenses including refunds under this Act.

(b) The Secretary of Agriculture and the Secretary of the Treasury shall jointly estimate from time to time the amounts currently required for such payments and expenses; and the Secretary of the Treasury shall advance to the Secretary of Agriculture the amounts so estimated. The amount of such advances shall be deducted from such funds as subsequently become available under subsection (a).

(c) The Secretary of Agriculture shall transfer to the Treasury Department and is authorized to transfer to other agencies, out of funds available under this section, such sums as are required to pay administrative expenses incurred and refunds made by such Department or agencies in the administration of this Act.

TERMINATION OF ACT

Sec. 13. This Act shall cease to be in effect whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate with respect to any basic agricultural commodity such provisions of this Act as he finds are not requisite to carrying out the declared policy with respect to such commodity. The Secretary of Agriculture shall make such investigations and reports thereon to the President as may be necessary to aid him in executing this section.

SEPARABILITY OF PROVISIONS

Sec. 14. If any provision of this Act is declared unconstitutional,

or the applicability thereof to ^{any person,} ~~any~~ circumstance, or commodity is held invalid the validity of the remainder of this Act and the applicability thereof to other persons, circumstances, or commodities shall not be affected thereby.

SUPPLEMENTARY REVENUE PROVISIONS

EXEMPTIONS AND COMPENSATING TAXES

Sec. 15 (a) If the Secretary of Agriculture finds, upon investigation at any time and after due notice and opportunity for hearing to interested parties, that any class of products ~~or~~ ^{of} any commodity is of such low value compared with the quantity of the commodity used for their manufacture that the imposition of the processing tax would prevent in whole or in large part the use of the commodity in the manufacture of such products and thereby substantially reduce consumption and increase the surplus of the commodity, then the Secretary of Agriculture shall so certify to the Secretary of the Treasury, and the Secretary of the Treasury shall abate or refund any processing tax thereafter imposed with respect to such amount of the commodity as is used in the manufacture of such products.

(b) No tax shall be required to be paid on the processing of any commodity by the producer thereof on his own premises for consumption by his own family, employees, or household.

(c) Any person delivering any product to any unemployment relief organization for charitable distribution or use shall, if such product or the commodity from which processed, is under this Act subject to tax, be entitled to a refund of the amount of any tax paid with respect to such product or commodity.

(d) The Secretary of Agriculture shall ascertain from time to time whether the payment of the processing tax upon any basic agricultural commodity is causing or will cause to the processors thereof disadvantages in competition from competing agricultural commodities by reason of excessive shifts in consumption between such commodities or products thereof. If the Secretary of Agriculture finds, after investigation and due notice and opportunity for hearing to interested parties, that such disadvantages in competition exist, or will exist, he shall proclaim such finding. The Secretary shall specify in his proclamation the competing agricultural commodity and the compensating rate of tax on the processing thereof necessary to prevent such disadvantages in competition. Thereafter there shall be levied, assessed and collected upon the first domestic processing of such competing agricultural commodity a tax, to be paid by the processor, at the rate specified, until such rate is altered pursuant to a further finding under this section, or the tax or rate thereof on the basic agricultural commodity is altered or terminated. In no case shall the tax imposed upon such competing agricultural commodity exceed that imposed per like unit upon the basic agricultural commodity. The term "competing agricultural commodity" shall include, among others, rayon, silk, linen, and oleomargarine, and any basic agricultural commodity as to which a tax is not in effect under section 9.

FLOOR STOCKS

Sec. 16 (a) Upon the sale or other disposition of any article processed wholly or in chief value from any commodity with respect to

(b) Upon the giving of satisfactory bond for the faithful observance of the provisions of this Act requiring the payment of taxes, any person shall be entitled, without payment of the tax, to process for such exportation any commodity with respect to which a tax is imposed by this Act, or to hold for such exportation any article processed wholly or in chief value therefrom.

EXISTING CONTRACTS

Sec. 18. (a) If (1) any processor, jobber, or wholesaler has, prior to the date of approval of this Act, made a bona fide contract of sale for delivery after such date of any article in respect of which a tax is imposed under this Act, and if (2) such contract does not permit the addition to the amount to be paid thereunder of the whole or such tax, then (unless the contract prohibits such addition) the vendee shall pay so much of the tax as is not permitted to be added to the contract price.

(b) Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated and shall be collected and paid to the United States by the vendor in the same manner as other taxes under this Act. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner of Internal Revenue who shall cause collections of such taxes to be made from the vendee.

COLLECTION OF TAXES

Sec. 19. (a) The taxes provided in this Act shall be collected by the Bureau of Internal Revenue under the direction of the Secretary of the Treasury. Such taxes shall be paid into the Treasury of the United States.

(b) All provisions of law, including penalties, applicable with respect to the taxes imposed by section 600 of the Revenue Act of 1926, and the provisions of section 626 of the Revenue Act of 1932, shall, in so far as applicable and not inconsistent with the provisions of this Act, be applicable in respect of taxes imposed by this Act: Provided, That the Secretary of the Treasury is authorized to permit postponement, for a period not exceeding sixty days, of the payment of taxes covered by any return under this Act.

(c) In order that the payment of taxes under this Act may not impose any immediate undue financial burden upon processors, any processor subject to such taxes shall be eligible for loans from the Reconstruction Finance Corporation under section 5 of the Reconstruction Finance Corporation Act.

COMPENSATING DUTIES

Sec. 20 (a) During any period for which a processing tax is in effect with respect to any commodity there shall be levied, assessed, collected, and paid upon the importation, from any foreign country into the United States of goods processed or manufactured wholly or in chief value from such commodity which, if domestically processed, would be subject to a processing tax, a duty equal to the amount of the tax which would be payable with respect to such domestic processing at the time of importation. Such duty shall be in addition to any other duty imposed by law.

(b) The duties imposed by this section shall be levied, assessed, collected, and paid in the same manner as duties imposed by the Tariff Act of 1930, and shall be treated, for the purposes of all provisions of the law relating to the customs revenue, as duties imposed by such Act.

(c) As used in this section the term "United States" means the United States and its possessions, except the Philippine Islands, the Virgin Islands, American Samoa, and the Island of Guam.