

*allotment of flue-cured tobacco equal to the average national yield for the preceding five years of five hundred acres of such tobacco.*⁶

*(f) In the case of fire-cured and dark air-cured and burley tobacco, the national quota for 1938 is increased by a number of pounds required to provide for each State in addition to the State poundage allotment a poundage not in excess of 2 per centum of the allotment which shall be apportioned in amounts which the Secretary determines to be fair and reasonable to farms in the State receiving allotments under this section which the Secretary determines are inadequate in view of past production of tobacco.*⁷

PENALTIES

SEC. 314. The marketing of any tobacco in excess of the marketing quota for the farm on which the tobacco is produced, except the marketing of any such tobacco for nicotine or other byproduct uses, shall be subject to a penalty of 50 per centum of the market price of such tobacco on the date of such marketing, or if the following rates are higher, 3 cents per pound in the case of flue-cured, Maryland, or burley, and 2 cents per pound in the case of all other kinds of tobacco. Such penalty shall be paid by the person who acquires

⁶ This italicized subsection was added by sec. 5 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

⁷ This subsection (f) was added by sec. 2 (b) of the act entitled "An act to amend the Agricultural Adjustment Act of 1938," Public, No. 557, 75th Cong., approved May 31, 1938.

such tobacco from the producer but an amount equivalent to the penalty may be deducted by the buyer from the price paid to the producer in case such tobacco is marketed by sale; or, if the tobacco is marketed by the producer through a warehouseman or other agent, such penalty shall be paid by such warehouseman or agent, who may deduct an amount equivalent to the penalty from the price paid to the producer: *Provided*, That in case any tobacco is marketed directly to any person outside the United States the penalty shall be paid and remitted by the producer.

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SUBTITLE C—ADMINISTRATIVE PROVISIONS

PART I—PUBLICATION AND REVIEW OF QUOTAS

APPLICATION OF PART

SEC. 361. This Part shall apply to the publication and review of farm marketing quotas established for tobacco, corn, wheat, cotton, and rice, established under subtitle B.

PUBLICATION AND NOTICE OF QUOTA

SEC. 362. All acreage allotments, and the farm marketing quotas established for farms in a county or other local administrative area shall, in accordance with regulations of the Secretary, be made and kept freely available for public inspection in such county or other local administrative area. An additional copy of this information shall be kept available in the office of the county agricultural extension agent or with

the chairman of the local committee. Notice of the farm marketing quota of his farm shall be mailed to the farmer.

REVIEW BY REVIEW COMMITTEE

SEC. 363. Any farmer who is dissatisfied with his farm marketing quota may, within fifteen days after mailing to him of notice as provided in section 362, have such quota reviewed by a local review committee composed of three farmers appointed by the Secretary. Such committee shall not include any member of the local committee which determined the farm acreage allotment, the normal yield, or the farm marketing quota for such farm. Unless application for review is made within such period, the original determination of the farm marketing quota shall be final.

REVIEW COMMITTEE

SEC. 364. The members of the review committee shall receive as compensation for their services the same per diem as that received by the members of the committee utilized for the purposes of the Soil Conservation and Domestic Allotment Act, as amended. The members of the review committee shall not be entitled to receive compensation for more than thirty days in any one year.

INSTITUTION OF PROCEEDINGS

SEC. 365. If the farmer is dissatisfied with the determination of the review committee, he may, within fifteen days after a notice of such determination is mailed to him by registered mail, file a bill

in equity against the review committee as defendant in the United States district court, or institute proceedings for review in any court of record of the State having general jurisdiction, sitting in the county or the district in which his farm is located, for the purpose of obtaining a review of such determination. Bond shall be given in an amount and with surety satisfactory to the court to secure the United States for the costs of the proceeding. The bill of complaint in such proceeding may be served by delivering a copy thereof to any one of the members of the review committee. Thereupon the review committee shall certify and file in the court a transcript of the record upon which the determination complained of was made, together with its findings of fact.

COURT REVIEW

SEC. 366. The review by the court shall be limited to questions of law, and the findings of fact by the review committee, if supported by evidence, shall be conclusive. If application is made to the court for leave to adduce additional evidence, and it is shown to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the review committee, the court may direct such additional evidence to be taken before the review committee in such manner and upon such terms and conditions as to the court may seem proper. The review committee may modify its findings of fact or its determination by reason of the additional evidence so taken, and it shall file with the court such modified findings or determination, which findings of fact shall be con-

clusive. At the earliest convenient time, the court, in term time or vacation, shall hear and determine the case upon the original record of the hearing before the review committee, and upon such record as supplemented if supplemented, by further hearing before the review committee pursuant to direction of the court. The court shall affirm the review committee's determination, or modified determination, if the court determines that the same is in accordance with law. If the court determines that such determination or modified determination is not in accordance with law, the court shall remand the proceeding to the review committee with direction either to make such determination as the court shall determine to be in accordance with law or to take such further proceedings as, in the court's opinion, the law requires.

STAY OF PROCEEDINGS AND EXCLUSIVE JURISDICTION

SEC. 367. The commencement of judicial proceedings under this Part shall not, unless specifically ordered by the court, operate as a stay of the review committee's determination. Notwithstanding any other provision of law, the jurisdiction conferred by this Part to review the legal validity of a determination made by a review committee pursuant to this Part shall be exclusive. No court of the United States or of any State shall have jurisdiction to pass upon the legal validity of any such determination except in a proceeding under this Part.

NO EFFECT ON OTHER QUOTAS

SEC. 368. Notwithstanding any increase of any farm marketing quota for any farm as a result of

review of the determination thereof under this Part, the marketing quotas for other farms shall not be affected.

PART II—ADJUSTMENT OF QUOTAS AND ENFORCEMENT

GENERAL ADJUSTMENTS OF QUOTAS

SEC. 371. (a) If at any time the Secretary has reason to believe that in the case of corn, wheat, cotton, rice, or tobacco the operation of farm marketing quotas in effect will cause the amount of such commodity which is free of marketing restrictions to be less than the normal supply for the marketing year for the commodity then current, he shall cause an immediate investigation to be made with respect thereto. In the course of such investigation due notice and opportunity for hearing shall be given to interested persons. If upon the basis of such investigation the Secretary finds the existence of such fact, he shall proclaim the same forthwith. He shall also in such proclamation specify such increase in, or termination of, existing quotas as he finds, on the basis of such investigation, is necessary to make the amount of such commodity which is free of marketing restrictions equal the normal supply.

(b) If the Secretary has reason to believe that, because of a national emergency or because of a material increase in export demand, any national marketing quota for corn, wheat, cotton, rice, or tobacco should be increased or terminated, he shall cause an immediate investigation to be made to determine whether the increase or termination is necessary in order to effectuate the declared policy of this Act or to meet such emergency or increase in

export demand. If, on the basis of such investigation, the Secretary finds that such increase or termination is necessary, he shall immediately proclaim such finding (and if he finds an increase is necessary, the amount of the increase found by him to be necessary) and thereupon such quota shall be increased, or shall terminate, as the case may be.

(c) In case any national marketing quota for any commodity is increased under this section, each farm marketing quota for the commodity shall be increased in the same ratio.

(d) In the case of corn, whenever such proclamation specifies an increase in marketing quotas, the storage amounts applicable to corn shall be adjusted downward to the amount which would have been required to be stored if such increased marketing quotas had been in effect. Whenever in the case of corn, such proclamation provides for termination of marketing quotas, storage under seal shall no longer be required.

PAYMENT AND COLLECTION OF PENALTIES

SEC. 372. (a) The penalty with respect to the marketing, by sale, of wheat, cotton, or rice, if the sale is to any person within the United States, shall be collected by the buyer.

(b) All penalties provided for in Subtitle B shall be collected and paid in such manner, at such times, and under such conditions as the Secretary may by regulations prescribe. Such penalties shall be remitted to the Secretary by the person liable for the penalty, except that if any other person is liable for the collection of the penalty, such other person shall remit the penalty. The amount of such pen-

alties shall be covered into the general fund of the Treasury of the United States.

(c) Whenever, pursuant to a claim filed with the Secretary within one year after payment to him of any penalty collected from any person pursuant to this Act, the Secretary finds that such penalty was erroneously, illegally, or wrongfully collected, the Secretary shall certify to the Secretary of the Treasury for payment to the claimant, in accordance with regulations prescribed by the Secretary of the Treasury, such amount as the Secretary finds the claimant is entitled to receive as a refund of such penalty.⁸

The Secretary is authorized to prescribe regulations governing the filing of such claims and the determination of such refunds.

(d) No penalty shall be collected under this Act with respect to the marketing of any agricultural commodity grown for experimental purposes only by any publicly owned agricultural experiment station.⁸

REPORTS AND RECORDS

SEC. 373. (a) This subsection shall apply to warehousemen, processors, and common carriers of corn, wheat, cotton, rice, or tobacco, and all ginnerers of cotton, all persons engaged in the business of purchasing corn, wheat, cotton, rice, or tobacco from producers, and all persons engaged in the business of redrying, prizing, or stemming tobacco

⁸ The italicized subsection was added by sec. 11 of the act entitled "An act to amend the Agricultural Adjustment Act of 1938, and for other purposes," Public, No. 470, 75th Cong., approved April 7, 1938.

for producers. Any such person shall, from time to time on request of the Secretary, report to the Secretary such information and keep such records as the Secretary finds to be necessary to enable him to carry out the provisions of this title. Such information shall be reported and such records shall be kept in accordance with forms which the Secretary shall prescribe. For the purpose of ascertaining the correctness of any report made or record kept, or of obtaining information required to be furnished in any report, but not so furnished, the Secretary is hereby authorized to examine such books, papers, records, accounts, correspondence, contracts, documents, and memoranda as he has reason to believe are relevant and are within the control of such person. Any such person failing to make any report or keep any record as required by this subsection or making any false report or record shall be deemed guilty of a misdemeanor and upon conviction thereof shall be subject to a fine of not more than \$500.

(b) Farmers engaged in the production of corn, wheat, cotton, rice, or tobacco for market shall furnish such proof of their acreage, yield, storage, and marketing of the commodity in the form of records, marketing cards, reports, storage under seal, or otherwise as the Secretary may prescribe as necessary for the administration of this title.

(c) All data reported to or acquired by the Secretary pursuant to this section shall be kept confidential by all officers and employees of the Department, and only such data so reported or acquired as the Secretary deems relevant shall be disclosed by them, and then only in a suit or administrative hearing under this title.

MEASUREMENT OF FARMS AND REPORT OF PLANTINGS

SEC. 374. The Secretary shall provide, through the county and local committees, for measuring farms on which corn, wheat, cotton, or rice is produced and for ascertaining whether the acreage planted for any year to any such commodity is in excess of the farm acreage allotment for such commodity for the farm under this title. If in the case of any farm the acreage planted to any such commodity on the farm is in excess of the farm acreage allotment for such commodity for the farm, the committee shall file with the State committee a written report stating the total acreage on the farm in cultivation and the acreage planted to such commodity.

REGULATION

SEC. 375. (a) The Secretary shall provide by regulations for the identification, wherever necessary, of corn, wheat, cotton, rice, or tobacco so as to afford aid in discovering and identifying such amounts of the commodities as are subject to and such amounts thereof as are not subject to marketing restrictions in effect under this title.

(b) The Secretary shall prescribe such regulations as are necessary for the enforcement of this title.

COURT JURISDICTION

SEC. 376. The several district courts of the United States are hereby vested with jurisdiction specifically to enforce the provisions of this title. If and when the Secretary shall so request, it shall be the duty of the several district attorneys in their respective districts, under the direction of the At-

torney General, to institute proceedings to collect the penalties provided in this title. The remedies and penalties provided for herein shall be in addition to, and not exclusive of, any of the remedies or penalties under existing law.

SUBTITLE D—MISCELLANEOUS PROVISIONS AND
APPROPRIATIONS

PART I—MISCELLANEOUS

* * * * *

UTILIZATION OF LOCAL AGENCIES

SEC. 388. (a) The provisions of section 8 (b) and section 11 of the Soil Conservation and Domestic Allotment Act, as amended, relating to the utilization of State, county, local committees, the extension service, and other approved agencies, and to recognition and encouragement of cooperative associations, shall apply in the administration of this Act; and the Secretary shall, for such purposes, utilize the same local, county, and State committees as are utilized under sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended. The local administrative areas designated under section 8 (b) of the Soil Conservation and Domestic Allotment Act, as amended, for the administration of programs under that Act, and the local administrative areas designated for the administration of this Act shall be the same.

(b) The Secretary is authorized and directed, from any funds made available for the purposes of the Acts in connection with which county committees are utilized, to make payments to county commit-

tees of farmers to cover the estimated administrative expenses incurred or to be incurred by them in cooperating in carrying out the provisions of such Acts. All or part of such estimated administrative expenses of any such committee may be deducted pro rata from the Soil Conservation Act payments, parity payments, or loans, or other payments under such Acts, made unless payment of such expenses is otherwise provided by law. The Secretary may make such payments to such committees in advance of determination of performance by farmers.

PERSONNEL

SEC. 389. The Secretary is authorized and directed to provide for the execution by the Agricultural Adjustment Administration of such of the powers conferred upon him by this Act as he deems may be appropriately exercised by such Administration; and for such purposes the provisions of law applicable to appointment and compensation of persons employed by the Agricultural Adjustment Administration shall apply.

SEPARABILITY

SEC. 390. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the validity of the remainder of the Act and the application of such provision to other persons or circumstances, and the provisions of the Soil Conservation and Domestic Allotment Act, as amended, shall not be affected thereby. Without limiting the generality of the foregoing, if any provision of this Act should be held not to be within

the power of the Congress to regulate interstate and foreign commerce, such provision shall not be held invalid if it is within the power of the Congress to provide for the general welfare or any other power of the Congress. If any provision of this Act for marketing quotas with respect to any commodity should be held invalid, no provision of this Act for marketing quotas with respect to any other commodity shall be affected thereby. If the application of any provision for a referendum should be held invalid, the application of other provisions shall not be affected thereby. If by reason of any provision for a referendum the application of any such other provision to any person or circumstance is held invalid, the application of such other provision to other persons or circumstances shall not be affected thereby.

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B. H. R. REPT. 1645, 75TH CONG., 2D SESS.

AGRICULTURAL ADJUSTMENT ACT OF 1937

NOVEMBER 27, 1937.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. JONES, from the Committee on Agriculture, submitted the following

R E P O R T

[To accompany H. R. 8505]

The Committee on Agriculture, to whom was referred the bill (H. R. 8505) to provide for the conservation of national soil resources and to provide an adequate and balanced flow of agricultural commodities in interstate and foreign commerce, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

GENERAL STATEMENT

During the last 15 years, the problems which have beset agriculture have commanded the attention of ever administration up to the present time. During these years, bills proposing solutions of these problems have been introduced in every Con-

gress. Every such proposal has received the careful consideration of the committees of Congress charged with the formulation of agricultural legislation. In 1933, on the recommendation by such committees, the Agricultural Adjustment Act was enacted. That act was in operation just short of 3 years before its acreage-adjustment provisions were declared invalid by the Supreme Court. Thereafter the Soil Conservation and Domestic Allotment Act was enacted. That act had as its primary purpose the conservation and rebuilding of the soil resources of the Nation. It is accomplishing this purpose. The incidental effect which it has had on the acreage devoted to major soil-depleting crops has not, however, been sufficient to prevent the production of large surpluses, which, unregulated, have congested the channels of interstate and foreign commerce. Hence legislation in addition to the Soil Conservation and Domestic Allotment Act is necessary at this time.

Legislation to meet the present farm problem should not be focused on the control of acreage, except to the extent of the incidental control brought about by inducing farmers to carry out recognized soil-conservation and soil-building practices on their farms. Such legislation should not be posited on an economy of scarcity. Nor should such legislation be designed to meet a temporary emergency. It should, on the contrary, encourage the abundant production of agricultural commodities, and provide for the storage or warehousing of the production above current needs in order to have such commodities available at reasonable prices in years of drought or other adverse conditions. Such legislation should, by means of loans, assist

farmers to cooperate with Government in reaching this desirable objective. Such legislation should provide means of regaining our export markets in farm products to the end that such products may flow freely into the markets of the world. As an aid to accomplishing this purpose, and as a benefit to both farmers and consumers of farm products in the United States, it should provide means for examining the freight rate structure so far as it relates to freight rates on farm products. And finally it should encourage research into the possibilities of new uses and new markets for agricultural commodities in cooperation with the State agricultural colleges and other State agencies.

During the first session of the Seventy-fifth Congress, extended and careful consideration was given by the committee to various proposals which had been referred to it. It sought information with respect to these proposals, and their probable effects, in conference both with the leaders of the various farm organizations and with the representatives of the Department of Agriculture. During the adjournment of Congress virtually every member of the committee discussed the various proposals with the farmers in his district. Many of the members of the committee attended one or more of the hearings conducted by the Senate Committee on Agriculture and Forestry during the past summer and fall. The committee has also had the benefit of the many hearings, reports, and studies dealing with the farm problem which have been published during the last 15 years.

The bill (H. R. 8505) herewith reported approaches the farm problem on four major fronts. First. It strengthens the Soil Conservation and

Domestic Allotment Act and more clearly defines the powers of the Secretary of Agriculture under that act. Second. It provides for loans on agricultural commodities in order to enable farmers to finance the storage and warehousing of commodities in years of excessive yields so that surpluses may be kept off the market, and so that in years of drought or other adverse conditions, supplies of agricultural commodities will be plentiful. Third. In years of excessive production it provides for the withholding from market in interstate and foreign commerce of surpluses of the five major nonperishable agricultural commodities for the purpose of removing the depressing effect which such surpluses exert on such commerce. Fourth. It provides means by which markets at home and abroad for agricultural products may be restored and new ones may be found. This can well be regarded as the most important single feature of the bill. While provision is made for handling excessive surpluses temporarily through moderate control features, the more important and fruitful approach to the solution of the farm problem is in expansion of domestic and foreign markets.

The bill makes it the duty of the Secretary of Agriculture to use the \$100,000,000 available annually under section 32 of the 1935 amendments in disposing of farm products at home, and in expanding foreign markets for surplus farm commodities and their products abroad. By paying small losses the committee feels that wider uses for such products can be found both here and in foreign countries. The bill contemplates means by which agricultural products may get to the

markets more cheaply. The Secretary of Agriculture is given power to complain before the Interstate Commerce Commission with respect to rates, tariffs, and charges on agricultural products, and the Secretary is to aid cooperative associations in their complaints on such matters. Finally, the bill provides for research into the possibilities of new uses and markets for farm products.

The declaration of policy of the bill sets forth its objectives, which are to accomplish the above purposes.

CONSTITUTIONAL BASIS

The various provisions of the bill are within the Federal power under the Constitution.

* * * * *

MARKETING QUOTA PROVISIONS

The marketing quota provisions represent exercises of the power of Congress over interstate and foreign commerce. Citation of cases is unnecessary to show that Congress has the power to regulate marketing which occurs directly in interstate and foreign commerce. It is familiar doctrine, too, that the commerce power of Congress is not limited to the regulation of the actual movement of goods in interstate and foreign commerce. The power extends to encompass any object which burdens or affects interstate commerce, even if by so doing intrastate commerce is regulated. Federal power to remove restraints on interstate and foreign commerce is not limited to restraints which occur in that commerce. Thus future trading on commodities exchanges (*Chicago Board of Trade v.*

Olsen (1923) 262 U. S. 1); meat packing (*Stafford v. Wallace* (1922), 258 U. S. 495); buying and selling of livestock on a commission basis (*Tagg Brothers and Moorhead v. United States* (1930), 280 U. S. 420); intrastate transportation by railroad (*Shreveport case* (1913), 234 U. S. 342); conspiracies to restrain interstate commerce (*Bedford Cut Stone Company v. Stonecutters' Association* (1927), 274 U. S. 37); *Local 167 v. United States* (1934), 291 U. S. 293); and unfair labor practices (*Labor Board v. Jones and Laughlin Steel Corporation* (1937), 301 U. S. 1); (*Virginian Railway v. Federation* (1937), 300 U. S. 515) do not constitute interstate commerce. Yet in each one of the above cases the exercise of Federal power has been upheld. The principle underlying such decisions is that the transactions to which the statutes there construed related did have a "direct and immediate" effect on interstate commerce.

The question of whether the connection between the subject regulated and interstate commerce is sufficiently close and direct to justify the regulation is one for Congress to determine. If there is a reasonable basis for a conclusion reached by Congress that the subject of regulation does affect interstate commerce, then the subject is one within Federal control and the exercise of the power is valid. The question then becomes one of determining whether the facts are such that Congress may reasonably conclude that the matters regulated do have an effect on interstate and foreign commerce.

As said by Chief Justice Taft in *Stafford v. Wallace* (1922) (258 U. S. 495, at p. 520):

Whatever amounts to more or less constant practice and threatens to obstruct or

unduly to burden the freedom of interstate commerce is within the regulatory power of Congress under the commerce clause, and it is primarily for Congress to consider and decide the fact of the danger and meet it. This Court will certainly not substitute its judgment for that of Congress in such a matter unless the relation of the subject to interstate commerce and its effect upon it are clearly nonexistent.

See also Chief Justice Hughes in *Labor Board v. Jones and Laughlin Steel Corporation* (301 U. S. 1, at p. 37).

The studies during the past 15 years conducted by the committees of Congress amply demonstrate that there is more than a reasonable basis for concluding that the marketing of excessive supplies of the major agricultural commodities, tobacco, field corn, wheat, cotton, and rice, do have a direct and immediate effect on interstate and foreign commerce in these commodities as well as on interstate and foreign commerce generally. They demonstrate, too, that deficiencies in marketing farm commodities in interstate and foreign commerce result in diminutions of and burdens upon that commerce. These studies further demonstrate that if a regular even flow of such commodities into interstate and foreign commerce could be secured, then the disastrous consequences following such irregularity in marketing could be avoided.

Following the discussion of the marketing quota provisions relating to each of these commodities there are set forth analyses of statistics of the Department of Agriculture relating to each of these major commodities. From these figures it can be

said that, to a greater or less degree, as applied to each of these commodities:

(1) The commodity is of such substantial volume, is so valuable, and the need for it is so essential for national well-being that if interstate and foreign commerce in the commodity can be regulated in the national public interest, it should be.

(2) Most of the commodity moves almost directly from the place where produced into markets outside the State or, in some cases, into foreign markets. In cases where it does not move immediately into interstate or foreign markets in the form in which produced, it does so move in another, slightly changed, form or it is sure to do so. In both these cases the commodity is produced for an outside market in some form.

(3) In every case marketing for ultimate consumption (in any form) in the State where produced is a negligible part of the whole production.

(4) In all cases the factors determining whether or not the commodity will be marketed, when it will be, and the price at which it will be, are factors referable solely to the national or international market for which it is sold—not the local market.

(5) Excessive supplies (regardless of their cause) overtax the facilities for moving the commodity, bring to the markets amounts which they cannot absorb, and cause financial distress to producers and others engaged in the industry.

(6) Diminution in interstate and foreign commerce in other articles from regions of production to farming regions follows disruption of interstate and foreign commerce in such commodities.

(7) Deficient supplies leave idle transportation and marketing facilities and cause unwarranted high prices to consumers.

(8) If the excessive surpluses can be kept off the interstate and foreign market in years of plenty and fed into it in years of low production, stable orderly flow of interstate and foreign commerce will be assured.

* * * * *

TITLE III. MARKETING QUOTAS

This title contains the provisions relating to marketing quotas which apply to tobacco, corn, wheat, cotton, and rice. The title also includes the provisions relating to the review of marketing quotas established under it. In general, it can be said that the title provides in the case of each of those commodities a method by which excessive supplies of the commodity may be prevented from entering into interstate and foreign commerce in years in which the effect of marketing such supplies would be to upset the orderly marketing of such commodity.

Under the bill the marketing quota provisions relating to each of the commodities is set forth in a separate part. The various parts contains some provisions which are similar and are treated together here. Each part has its legislative findings which describe the effect on interstate and foreign commerce of the marketing of excessive and deficient supplies. In the case of each commodity a definition of "total supply," "carry-over," "normal supply," and, except in the case of cotton, "reserve supply level" is set forth. Total supply is carry-over from the previous year plus estimated

production. Normal supply is the 10-year average of domestic consumption plus exports, to which is added a percentage of that amount to assure a normal carry-over. Reserve supply level is an amount in excess of average domestic consumption and exports plus a carry-over adequate to insure domestic consumption and export needs at all times.

If the carry-over plus estimated production (total supply) exceeds the normal supply in the case of cotton, wheat, rice, and field corn, or exceeds the reserve supply level in the case of tobacco, by more than a stated percentage, marketing quotas go into effect. In the case of each commodity, after the determination of and announcement by the Secretary of facts on the basis of which marketing quotas are effective, he is to conduct a referendum of all farmers who would be subject to the quota on the commodity. If more than one-third of the farmers voting in the referendum oppose the quota, the quota becomes ineffective.

Each part has a provision for terminating or increasing quotas when the supply gets below an amount determined with reference to the amount which will be available for marketing. Each part (except field corn) requires the termination of marketing quotas if a national emergency or a material increase in export demand warrants such termination. Each part (except field corn) authorizes the Secretary to obtain information from persons acquiring the commodity from the farmer to enable the Secretary to carry out the part to which the commodity relates, and such information must be kept confidential. It can be disclosed only in a suit or administrative hearing involving the administration of the provisions.

There is inserted here a table which, in brief compass, sets forth the various important dates on which action is taken under the various marketing-quota provisions. An examination of this table will give more clearly than the technical explanation of the provisions of the bill an idea of exactly when the findings are made and announced and when the quotas are effective. Under the table the assumption is made that marketing quotas are to be in effect on the crop harvested in 1940; 1940 has been selected to avoid special rules fixed for 1938 and 1939 in certain cases.

* * * * *

A discussion of each of the several parts of the title (to the extent that they vary from each other) is set forth under a heading relating to the commodity.

PART I.—MARKETING QUOTAS—TOBACCO

The marketing quota provisions relating to tobacco divide the various kinds of tobacco according to their recognized classification by the Department of Agriculture. This part is applicable to each of these kinds of tobacco severally. That is, each kind of tobacco is treated as if it were a separate commodity. As used in the part, the word "tobacco" means "kind of tobacco," and the word "tobacco" is used in the same sense in this report. The kinds so included are flue-cured tobacco, fire-cured tobacco, dark air-cured tobacco, burley tobacco, Maryland tobacco, and cigar-filler and cigar-binder tobacco. A specification of the types of tobacco included in each of these kinds is set forth in section 303 (a).

Whenever on November 15 the Secretary finds that on July 1 (in the case of flue-cured) or October 1 (in the case of other kinds) the carry-over plus estimated production of tobacco exceeded the reserve supply level, he is to so announce and the marketing quotas are to be in effect for tobacco marketed during the marketing year next following. That is, for tobacco harvested in the next year. The reserve supply level of any kind of tobacco is 5 percent in excess of the normal supply. The normal supply is a normal year's domestic consumption and exports plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports.

In the announcement that a marketing quota shall be in effect the Secretary is to specify in pounds of tobacco the quantity which may be marketed during the marketing year next following. That amount is an amount which would make available for marketing during that year a supply of tobacco equal to the reserve supply level. This is the national marketing quota. It is an amount in pounds of tobacco. The Secretary's announcement must be made not later than December 1.

Within 30 days after the issuance of his announcement the Secretary is required to conduct the referendum.

A special rule is provided for the determination and announcement of any marketing quota for the 1938-39 marketing year. The determination of supplies is to be made as of January 15, 1938, and announced not later than February 1, and the announcement of the result of the referendum is to be made prior to March 1, 1938.

When the Secretary has determined the amount of the national marketing quota he is to apportion that amount as provided in section 305. This apportionment is for the purpose of dividing up the total amount which may be marketed from the production of the year among the States and among the farms in each State.

The amount of the national marketing quotas (less amounts for new farms, etc., under section 305 (c)) is to be apportioned by the Secretary among the several States on the basis of the total production of tobacco in each State during the 5 calendar years immediately preceding the year in which the quota is announced (sec. 305 (a)). In making such apportionment, he is to make adjustments determined to be necessary to make correction for abnormal conditions in production, for small farms, and for trends in production during the 5-year period, and on account of diversion from tobacco production under agricultural adjustment and soil-conservation programs. The amount so apportioned to each State is to be apportioned, through local committees of farmers, among farmers producing tobacco on the basis of their past production of tobacco; land, labor, and equipment available for tobacco production; crop-rotation practices; and soil and other physical facilities for the production of tobacco. A minimum marketing quota to farms is provided. (This minimum here discussed does not apply to farms producing tobacco for the first time within 5 years.)

The minimum allotment to a farm is a stated amount, or the farmer's highest base acreage, whichever is lower. The flat minimum is 3,200 pounds in the case of flue-cured and 2,400 pounds

in the case of other kinds. The minimum amount based on highest base acreage is the average tobacco production of the farm during the preceding 3 years adjusted upward to equal the normal production of its highest tobacco acreage under the previous 3 years of adjustment and conservation programs.

Not to exceed 5 percent of the national marketing quota is to be allotted, through local committees, to farms on which tobacco is produced (to be marketed in the quota year) for the first time in 5 years, and to small farms to increase the allotments to them. This allotment is to be made on the basis of land, labor, and equipment available for tobacco production, crop-rotation practices, and the soil and other physical facilities affecting the production of tobacco. The allotment to the farms on which tobacco is produced for the first time in 5 years is not to exceed 75 percent of the allotment which would otherwise be made to the farm.

Farm-marketing quotas may be transferred but only in such manner and subject to such conditions as may be provided by the Secretary.

Any person who knowingly acquires tobacco from a producer if the tobacco is marketed by him from a farm in excess of the farm marketing quota, is subject to a penalty. The penalty is 50 percent of the market price, or 3 cents per pound in the case of flue-cured, Maryland, or burley, or 2 cents per pound in the case of all other kinds, whichever is higher. The purchaser, if he acquires the tobacco by purchase, may deduct the penalty from the purchase price. Penalties are to be remitted to the Secretary and are to accrue

to the United States. Failure on the part of persons acquiring tobacco from farmers, or engaged in performing certain acts with respect thereto for farmers, to furnish information or keep records subjects the offender to a fine of not more than \$500.

The Secretary is given express authority to issue regulations with respect to the time and manner of the payment of penalties, the identification of marketings, and such other regulations as he deems necessary for the enforcement of the part.

EFFECT OF MARKETING ON INTERSTATE AND FOREIGN COMMERCE

The conclusion of the committee that the marketing of tobacco exerts a substantial and direct effect upon interstate and foreign commerce is more than justified by the following summary of the facts and figures relating thereto derived from available statistics of the Department of Agriculture.

ECONOMIC DATA RELATING TO TOBACCO

There are some 750,000 farm families engaged in the primary industry of producing and marketing tobacco. Receipts by these families for tobacco marketed during the period 1919-28 averaged about \$280,000,000 per year. Although each family places on the market all or substantially all of the tobacco which it produces, sales are made with scant knowledge of or regard for the action taken by other persons engaged in similar work.

Tobacco is sold mainly through warehousemen or commission merchants, except in the case of Mary-

land, cigar-leaf and the dark-air and fire-cured types of tobacco where sales are made at the farm or through producers' cooperative-marketing associations. The operations of this group deal directly with the sale of the tobacco by producers to representatives of manufacturers and leaf-tobacco dealers, generally at established places of business. Around 1,300,000,000 pounds of tobacco have been marketed annually in the United States and in Puerto Rico during the last 10 years.

Control and direction of the great part of the manufacture of tobacco products is in the hands of a limited number of corporations. The prices offered to farmers by these corporations determine the price level on the market, and the prices at which the manufactured products are sold are largely controlled by them.

The Federal Trade Commission in its agricultural income inquiry states that in 1934, 13 principal tobacco manufacturers purchased the equivalent of 64 percent of the crop, and the three largest of such manufacturers a quantity equal to 46.2 percent of the crop. These same 13 corporations sold over 97 percent of the cigarettes, over 90 percent of the smoking tobacco, over 75 percent of the chewing tobacco, and over 98 percent of the snuff produced in the United States in 1934. The three companies reporting, respectively, the largest sales of cigarettes, of smoking tobacco, of chewing tobacco, and of snuff accounted for 80.1 percent, 64.8 percent, 68.7 percent, and 95.3 percent, respectively, of the 1934 production of these products.

TOBACCO IS SOLD ON A NATION-WIDE MARKET AND
MOVES ALMOST WHOLLY IN INTERSTATE AND FOREIGN
COMMERCE

When tobacco is placed on the market by producers, it is purchased by buyers representing manufacturers and dealers located throughout the world. Immediately after purchase, tobacco is either moved by the purchasers to redrying plants or, in the case of types which do not require redrying, shipped to plants of dealers or manufacturers. The types which do not require redrying constitute about one-fourth of the total poundage of tobacco. Redrying requires only a few hours, the tobacco being moved through the plants as speedily as possible.

From two-thirds to three-fourths of all of the tobacco processed in the United States is purchased on the markets in States other than those where the processing occurs. The principal tobacco products, for example cigarettes, are made up of different kinds of tobacco blended in a manner designed to secure certain taste effects and burning qualities. These different kinds of tobacco, produced in different parts of the country are complementary to each other for some purposes and must move in interstate commerce before they can be blended. Tables I and II appended hereto show the extent to which burley and flue-cured tobacco must pass in interstate commerce before being processed. Table III, which shows the number of establishments, by States, engaged in the processing of tobacco, is further corroborative evidence.

The average production of burley tobacco is indicated in table I, in the 3 years 1931-33 amounted

to 376,352,000 pounds. In the States in which such tobacco was produced, the quantity processed was less than 18 percent of the total production therein.

The similar conditions are true with respect to flue-cured tobacco as indicated in table II. Production in the 3 years 1931-33 averaged 595,000,000 pounds. In the States in which such tobacco was produced, the quantity processed could not have exceeded about one-third of this amount. Actually the amount was much smaller as this figure of one-third is calculated without taking into account significant shipments of unprocessed tobacco among such States.

A preponderant amount of the kinds of tobacco other than flue-cured and burley tobacco also moves in interstate and foreign commerce. Commerce in fire-cured and dark air-cured tobacco is similar to commerce in flue-cured and burley tobacco. In 1935, 362 pounds of tobacco were processed in Maryland, while 27,935,000 pounds were produced in the State. A comparison for cigar-leaf tobacco similar to that shown for flue-cured and burley tobacco indicates that less than one-third of the total production of cigar-leaf tobacco is processed in the States in which the tobacco is produced.

Not only does the greater proportion of all types of tobacco move from the markets into interstate commerce, but large quantities of tobacco are purchased on the markets by foreign manufacturers on their own account and through orders placed with dealers. The total exports during the last decade amounted to a little over 70 percent of the domestic consumption of all tobacco.

FARMERS UNABLE TO ORGANIZE EFFECTIVELY FOR MARKETING OF TOBACCO

History reflects clearly the inability of tobacco farmers to organize effectively for the purpose of marketing their product. Numerous tobacco cooperative marketing associations have been formed by producers, and at some time during the last 2 decades one or more such associations have existed for types of tobacco covering over 95 percent of the total tobacco production of the United States and Puerto Rico. Although these associations have attempted progressively to benefit from the experience of previous associations, to date practically all of them have failed to bring about orderly marketing of their tobacco. Most of them have discontinued operation entirely.

Probably the prices offered for tobacco in any year are calculated to bring forth marketings in subsequent years in line with the quantity of tobacco desired. Farmers are unable, however, to recognize the limits of the market or to act collectively in offering on the market this desired quantity. They tend, because of fixed costs and available production facilities, to produce a maximum quantity of tobacco without regard to market demands. As a result, marketings frequently exceed the quantity desired and in order to avoid recurrence of a similar situation as well as to offset larger handling and storage charges buyers pay prices which may be disastrously low for farmers.

There is little if any relationship between the prices received by farmers and the price paid by the consumer for manufactured tobacco products. The

wholesale and retail prices at which tobacco products are sold are influenced by the unusually great amount of fixed or invariable elements of cost. For example, the Federal tax on a package of 20 cigarettes, weighing not more than 3 pounds per thousand, regardless of the quality, price of unmanufactured tobacco, and general business conditions, remains unchanged. In some instances advertising policies have been directed toward the creation of brand and taste preferences which would persist notwithstanding the stability of the retail price.

The average price received by farmers for all types of tobacco in the United States declined from 18.3 cents per pound in 1929 to 10.5 cents per pound in 1932, and as a result farmers' income from tobacco declined from 281 million dollars to 107 million dollars for the same period. At the same time, the wholesale price of cigarettes was advanced from \$6 per thousand to \$6.85 per thousand, and the profits of 52 leading tobacco manufacturers increased from 134 million dollars to 146 million dollars.

From the fact that manufacturers follow fixed-price policies (relatively), that the taxes on tobacco products do not vary, and that the demand for manufactured tobacco is relatively inelastic, the normal response to lowered farm prices, i. e., increased consumption with the consequent elimination of surpluses, does not follow. In fact, as the quantity consumed is relatively constant, producers with excessive marketings are in an unusually weak bargaining position and may suffer from unduly depressed prices which react on them but do not greatly alter the level of consumption.

The conditions attached to the marketing of tobacco widely affect those persons to whom farmers may become indebted. The interests of the bankers, merchants, fertilizer dealers, and insurance companies lie in the existence of a satisfactory market for tobacco. The impairment of income resulting from the disorderly marketing increases the hazards of those who extend credit to farmers engaged in production and marketing of tobacco.

Table IV indicates the number of farms changing ownership through voluntary sales, tax-delinquency sales and mortgage-foreclosure sales and bankruptcy. It will be noted that voluntary sales declined drastically as a result of the disorderly situation existing during years of excessive marketing while the number of tax-delinquency sales and mortgage-foreclosure sales increased very substantially.

The number of bank suspensions in those States in which the sale of tobacco affords an important source of income has been excessively great in those years in which a disorderly situation has existed in these markets. Table V shows that, in five important tobacco States, from 1929 to 1931 while the farm value of tobacco was reduced by more than one-half, the number of bank suspensions trebled.

As in the case of other agricultural commodities, the quantity of tobacco which farmers have to market is influenced by natural causes beyond their control. Statistics with respect to tobacco production indicate that, notwithstanding the fact that the plants are transplanted from seedbeds to the field and the crop undergoes intensive till-

age, the yield per acre of all tobacco has varied within the last 10 years from a low of 725 pounds in 1932 to a high of 903 pounds in 1935. Furthermore, the annual acreage is influenced by weather conditions when the plants are set and by the effect of disease on plants. The lack of moisture or attacks of disease may substantially reduce the acreage of tobacco planted, and conversely, very favorable conditions may result in plantings larger than usual. Under such circumstances disorderly marketing conditions can very easily develop in years of high yield.

DISORDERLY MARKETING AFFECTS INTERSTATE AND
FOREIGN COMMERCE

The disorderly marketing of tobacco affects the volume marketed in interstate and foreign commerce during a particular marketing season as well as in subsequent years. It causes overcrowding and congestion of existing facilities. Some of the lower grades of tobacco which normally are marketable remain unsold. With large and burdensome stocks on hand, manufacturers and dealers offer lower prices. As a consequence, marketings by farmers in subsequent years are reduced. Under such conditions, with no means of regulating marketings, farmers often produce for market more or less than can be handled in an orderly manner.

Disorderly marketing which causes sharp reductions in the price of tobacco tends to injure and destroy commerce therein. For example, a survey conducted in Virginia showed that growers of flue-cured and fire-cured tobacco were unable to market from 8 to 15 percent of their 1931 and 1932 crops.

With improved market conditions, growers estimated that less than 2 percent of the 1933 and 1934 crops was not sold. While similar estimates are not available for other States, in all probability a considerable quantity of tobacco could not be sold from the 1931 and 1932 crops.

Disorderly marketing of tobacco has created such intolerable conditions in the areas affected as to result in some instances in physical violence or complete stoppage for a period of the normal marketing process. Notable instances of this were the difficulties which culminated in the so-called night rider activities in the tobacco areas of Kentucky and Tennessee; the widespread closing of tobacco markets for varying periods of time, which followed the drastic declines of tobacco prices after the World War; and a similar closing of auction markets because of low prices during the early part of the 1933 tobacco-marketing season.

With the inauguration of the Agricultural Adjustment Administration tobacco program including the 1933 marketing agreements, designed to adjust marketings to demand, immediate relief was experienced in dealing with the latter situation. Markets were reopened; the spoilage of tobacco on markets was stopped; prices were advanced to levels acceptable to farmers; and an orderly flow of tobacco in the commerce was resumed. A basis of the willingness of tobacco manufacturers to pay higher prices on the market for the 1933 crop than had been paid prior to the closing of the markets, was the assurance which they had that the operation of the tobacco program with respect to the 1934 crop would tend to keep the quantity of that crop offered on the market in line with demand.

Disorderly marketing causes a disparity between the price for this commodity and industrial products, with a consequent diminution of the volume of commerce in industrial products. Table VI, which shows the relation of farm income to new car registrations, shows in a forceful manner the reduction of trade which follows the diminution of agricultural income.

In 1926, when the total cash income of America's farmers was \$9,658,000,000 this group spent approximately \$2,867,000,000 for goods used in production and \$4,478,000,000 for goods for living. In 1932, when disorderly marketing conditions had reduced the cash income of farmers to \$4,201,000,000, they reduced their expenditure for goods for use in production to \$1,351,000,000 and their expenditure for consumers' goods to \$1,302,000,000. The decline in trade associating with disorderly marketing conditions in agriculture, as well as the growth of trade associated with orderly conditions, is very vividly shown by the extent to which carloadings destined from industrial areas for the southeastern agricultural area increased rapidly from 1932 to 1933 and 1934.

Total shipments, by groups of commodities

Group	Year 1 (July 1, 1932, to June 30, 1933)	Year 2 (July 1, 1933 to June 30, 1934)	Percent of increase year 2 over year 1	Year 3 (July 1, 1934, to June 30, 1935)	Percent of increase year 3 over year 2	Percent of increase year 3 over year 1
	<i>Pounds</i>	<i>Pounds</i>		<i>Pounds</i>		
Agricultural.....	56,473,000	99,278,000	75.8	136,480,000	37.5	141.7
Domestic and personal.....	115,653,000	182,309,000	57.6	279,778,000	53.5	141.9
Industrial and commercial.....	821,431,000	1,179,189,000	43.6	1,604,107,000	36.0	95.3
General.....	1,100,499,000	1,445,052,000	31.3	2,121,363,000	46.8	92.8
Total.....	2,094,058,000	2,905,828,000	38.8	4,141,728,000	42.5	97.8

Total shipments of manufactured commodities from the industrial area into the southeastern region over four important railroads, as indicated in the above table, showed a gain of 38.8 percent in year 2, and 97.8 in year 3. The percentage increase was greatest in year 3 in the case of domestic and personal goods, the increase being 141.9 percent.

It is obvious from the foregoing that the disorderly marketing of an excessively abnormal supply affects, burdens, and obstructs foreign and interstate commerce.

* * * * *

TABLE II.—*Tobacco, flue-cured; distribution of production and processing by specified States*

State	3-year average production 1931-32 ¹	Percentage distribution of production	Amount processed in State ²	Percentage distribution of processed tobacco	Excess production over processed tobacco
United States, total.....	<i>Pounds</i> 595,087,000	100.0	<i>Pounds</i> 282,500,000	100.0	<i>Pounds</i> 312,587,000
California.....	0	0	8,192,000	2.9	-8,192,000
Florida.....	3,122,000	0.5	0	0	3,122,000
Georgia.....	42,887,000	7.2	0	0	42,887,000
Kentucky.....	0	0	25,708,000	9.1	-25,708,000
Missouri.....	0	0	848,000	.3	-848,000
New York.....	0	0	565,000	.2	-565,000
North Carolina.....	432,186,000	72.6	152,832,000	54.1	279,354,000
Ohio.....	0	0	5,933,000	2.1	-5,933,000
South Carolina.....	65,929,000	11.1	0	0	65,929,000
Virginia.....	50,963,000	8.6	74,862,000	26.5	-23,899,000
All other.....	0	0	13,560,000	4.8	-13,560,000

¹ Compiled from reports of the Bureau of Agricultural Economics.

² Compiled from reports of the Bureau of Internal Revenue showing the amount of tobacco by types put into process by collecting districts. Leaf from which stem was not removed was converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.129 pounds farm weight. Leaf from which stem had been removed converted to farm weight on the basis of 1 pound processing weight being equivalent to 1.447 pounds farm weight.

TABLE III.—Number of factories manufacturing tobacco products

District	Number of factories ¹			
	In busi- ness Jan. 1, 1935	Opened	Closed	In busi- ness Jan. 1, 1936
Arkansas.....	1	0	0	1
First California.....	13	0	0	13
Sixth California.....	14	2	3	13
Colorado.....	2	0	0	2
Connecticut.....	9	0	0	9
Delaware.....	1	0	0	1
Florida.....	3	2	1	4
Georgia.....	1	0	0	1
First Illinois.....	51	5	6	50
Eighth Illinois.....	42	1	8	35
Indiana.....	30	3	1	32
Iowa.....	18	1	2	17
Kansas.....	5	0	1	4
Kentucky.....	41	5	6	40
Louisiana.....	1	0	1	0
Maryland.....	2	0	0	2
Massachusetts.....	28	1	4	25
Michigan.....	23	1	4	20
Minnesota.....	23	1	4	20
First Missouri.....	11	0	1	10
Sixth Missouri.....	1	0	0	1
Montana.....	3	1	0	4
Nebraska.....	7	1	0	8
New Hampshire.....	2	0	0	2
First New Jersey.....	1	0	0	1
Fifth New Jersey.....	13	2	2	13
First New York.....	21	0	0	21
Second New York.....	44	3	3	44
Third New York.....	9	1	1	9
Fourteenth New York.....	9	0	1	8
Twenty-first New York.....	32	0	2	30
Twenty-eighth New York.....	27	3	5	25
North Carolina.....	12	1	0	13
First Ohio.....	17	1	2	16
Tenth Ohio.....	8	1	1	8
Eleventh Ohio.....	1	0	0	1
Eighteenth Ohio.....	37	0	6	31
Oregon.....	2	0	0	2
First Pennsylvania.....	65	8	7	66
Twelfth Pennsylvania.....	7	0	1	6
Twenty-third Pennsylvania.....	17	1	1	17
Rhode Island.....	4	1	0	5
South Carolina.....	2	0	0	2
South Dakota.....	1	0	0	1
Tennessee.....	17	2	5	14
First Texas.....	3	0	2	1
Second Texas.....	1	0	1	0
Utah.....	1	0	0	1
Virginia.....	8	0	1	7
Washington.....	1	1	1	1

¹ Includes only those producing a taxable product, excluding 241 quasi manufacturers.

TABLE III.—Number of factories manufacturing tobacco products—
Continued

District	Number of factories			
	In business Jan. 1, 1935	Opened	Closed	In business Jan. 1, 1936
West Virginia.....	6	1	0	7
Wisconsin.....	40	0	2	38
Total, 1935.....	738	50	86	702
Total, 1934.....	765	65	92	738
Increase.....	0	0	0	0
Decrease.....	27	15	6	36

Source: Annual Report of the Commissioner of Internal Revenue, 1936.

TABLE IV.—Number of farms changing ownership by various methods
[Number per 1,000 farms]

	Vir- ginia	North Caro- lina	Geor- gia	Ken- tucky	Ten- nessee	United States
Voluntary sales and trades ¹ —12 months beginning Mar. 16:						
1929.....	16.3	19.1	17.5	30.0	18.5	23.7
1930.....	13.7	16.5	10.9	27.2	16.7	19.0
1931.....	9.8	11.0	10.6	19.0	18.0	16.2
1932.....	14.6	13.5	16.2	21.0	19.5	16.8
1933.....	12.6	19.0	18.8	20.1	20.0	17.8
1934.....	16.8	20.0	18.6	23.4	23.5	19.4
1935.....	20.6	25.4	21.7	28.9	28.7	24.0
Delinquent tax sales—12 months beginning Mar. 16:						
1929.....	2.6	10.8	5.5	6.4	2.3	5.1
1930.....	6.7	22.3	5.9	10.3	3.6	7.4
1931.....	9.5	35.6	10.0	21.9	10.1	13.3
1932.....	15.3	45.8	13.7	17.0	14.5	15.3
1933.....	13.6	25.1	11.9	10.1	8.4	11.1
1934.....	5.1	17.3	6.5	6.9	5.6	7.3
1935.....	3.8	10.7	4.0	5.5	4.1	5.9
Foreclosure of mortgages, bankruptcy, etc. ² —12 months beginning Mar. 16:						
1929.....	10.4	15.0	18.5	12.6	8.8	15.7
1930.....	15.2	20.0	27.4	12.1	10.9	18.7
1931.....	29.3	32.6	26.8	17.9	23.0	28.4
1932.....	28.0	40.8	34.9	31.0	34.2	38.8
1933.....	19.6	29.6	24.3	16.1	24.2	28.0
1934.....	14.6	15.0	11.8	14.9	16.7	21.0
1935.....	15.1	15.2	12.5	15.8	14.3	20.3

¹ Including contracts to purchase (but not options).² Including loss of title by default of contract, sales to avoid foreclosure, and surrender of title or other transfers to avoid foreclosure.

Compiled from reports of the Bureau of Agricultural Economics.

TABLE V.—Number of bank suspensions and farm value of tobacco, Kentucky, Tennessee, Virginia, North Carolina, and South Carolina, 1922-32

Year	Total for 5 States	Farm value of tobacco	Year	Total for 5 States	Farm value of tobacco
1922.....	28	\$232, 200, 000	1930.....	189	\$162, 200, 000
1923.....	51	222, 200, 000	1931.....	192	99, 800, 000
1924.....	49	181, 600, 000	1932.....	124	86, 400, 000
1925.....	74	179, 300, 000	1933.....	224	156, 700, 000
1926.....	79	183, 900, 000	1934.....	4	198, 500, 000
1927.....	68	197, 600, 000	1935.....	3	200, 300, 000
1928.....	48	215, 300, 000	1936.....	6	203, 300, 000
1929.....	62	215, 500, 000			

TABLE VI.—Farm cash income¹ and registrations of new motor cars² in principal tobacco-producing States

	1928-29	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36
Virginia:								
Farm income.....	146	156	104	83	62	78	91	106
Registrations.....	65	68	46	32	22	34	50	61
North Carolina:								
Farm income.....	279	231	177	116	98	171	219	217
Registrations.....	74	56	36	26	22	48	65	66
South Carolina:								
Farm income.....	117	121	97	61	48	70	82	91
Registrations.....	34	30	19	11	10	23	27	29
Georgia:								
Farm income.....	193	207	156	90	64	103	120	134
Registrations.....	43	40	31	21	19	39	47	55
Kentucky:								
Farm income.....	175	172	118	91	74	81	95	107
Registrations.....	56	52	32	22	19	31	39	50
Tennessee:								
Farm income.....	161	161	109	85	67	85	95	102
Registrations.....	55	55	31	19	16	30	44	52

¹ Farm cash income covers crop year for crops and calendar year for livestock and livestock products. Rental and benefit payments made under Agricultural Adjustment Administration not included. Source: Bureau of Agricultural Economics.

² Registrations of new passenger cars and new commercial cars covering the period July-June. Source: R. L. Polk & Co., Detroit, Mich.

C. S. Rept. 1295, 75TH CONG., 2D SESS.

75th CONGRESS } 2d Session }	SENATE	CALENDAR No. 1347 { REPORT { No. 1295
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PROVIDING AN ADEQUATE AND BALANCED
FLOW OF THE MAJOR AGRICULTURAL COM-
MODITIES IN INTERSTATE AND FOREIGN
COMMERCE, AND FOR OTHER PURPOSES

NOVEMBER 16 (calendar day, NOVEMBER 22), 1937.—Ordered
to be printed with an illustration

Mr. SMITH, from the Committee on Agriculture
and Forestry, submitted the following

R E P O R T

[To accompany S. 2787]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2787) providing for an adequate and balanced flow of the major agricultural commodities in interstate and foreign commerce (Agricultural Adjustment Act of 1937), having considered the same, report thereon favorably with a recommendation that the bill, as amended, do pass.

A subcommittee composed of Mr. Smith, Mr. McGill, Mr. Bankhead, Mr. Bilbo, and Mr. Ellender was appointed by the chairman to draft the committee report to accompany this bill.

In the bill it is declared to be the policy of Congress to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an adequate and balanced flow of such commodities. Such a flow can follow

only from the leveling out of the recurring surpluses and shortage, that burden and obstruct interstate and foreign commerce in such products.

One of the results of such a policy will be the maintenance of parity prices to farmers for cotton, wheat, corn, tobacco, and rice domestically consumed and exported and parity of income for farmers engaged in marketing such commodities. Parity prices are those which will give the farmer as great a purchasing power for his cotton, wheat, corn, tobacco, and rice as those commodities had during the base period 1909-14, or in case of tobacco 1919-29. Further without interfering with such prices adequate supplies will be maintained in years of drought, flood, or other adverse conditions as well as in years of plenty, i. e., an ever-normal granary that will protect consumers from unreasonably high prices. Finally our national soil resources will be conserved and wasteful use of our soil fertility prevented.

* * * * *

TITLE IV.—TOBACCO

This title provides for regulation of the marketing of tobacco. It comes into operation only when abnormally excessive supplies are found to exist. It provides for such regulation through the establishment of marketing quotas for tobacco and for the collection of penalties from those who acquire from producers tobacco marketed in excess of the marketing quota for the producer's farm. The definitions found in title VI, section 61, are applicable to this title. General provisions for its administration are found in sections 62 and 63. It applies

separately to flue-cured, fire-cured, dark air-cured, burley, Maryland, and cigar filler and binder tobacco as distinct kinds of tobacco.

Section 40. This section is a finding by Congress of the basic facts which give rise to the need for the regulation of tobacco marketings. It contains findings that the marketing of tobacco is one of the great basic industries of the United States, that tobacco is sold on a Nationwide market and, with its products, moves almost wholly in interstate and foreign commerce; that the marketing of tobacco directly affects interstate commerce; and that stable conditions in the industry are necessary to the general welfare. These findings stated in general terms are fully supported by the statistics available to show the scope and character of the business of distributing tobacco from producers to consumers.

The section contains the further finding that farmers producing tobacco are widely scattered throughout the Nation, that their operations are subject to natural forces beyond their control, that in many cases they carry on their operations on leased land and borrowed money, and that in general they are not in a position, without Federal assistance, to so coordinate their operations as to be able to control effectively the orderly marketings of tobacco. The section contains a finding that these conditions result in abnormally excessive supplies of tobacco being produced and dumped indiscriminately on the national market.

Subsection (b) contains a finding that the disorderly marketing of these excessive supplies burdens and obstructs interstate commerce in tobacco by materially affecting the volume of tobacco marketed in interstate commerce, and by disrupting

the orderly marketing of tobacco in interstate commerce. These two results of excessive supplies are practically axiomatic. There is a further finding that the marketing of abnormally excessive supplies reduces the price of tobacco and ultimately is injurious to commerce in tobacco. The marketing of excessive supplies of tobacco has been consistently accompanied by reduced prices. Experience has shown that excessive reduction in the amount produced follows the marketing of exceedingly large crops at low prices, with consequent excessive increase in prices and restriction of volume in subsequent marketing seasons.

There is a further finding that the reduction in price of tobacco caused by the marketing of excessive supplies results in a reduction of interstate commerce in industrial products. Long experience has demonstrated that farmers' purchases of commodities which flow in interstate commerce are acutely and directly affected by the amount of money they get from the sale of their products, and that commerce in industrial products is affected adversely by the low farm incomes which result from the marketing of excessively large crops at disastrous prices. The section concludes with a finding that the provision made for regulating the marketing of tobacco by producers becomes necessary whenever abnormally excessive supplies of tobacco exist. It is to be noted that the marketing quotas provided for in the title are not continuously effective. They come into operation only when the supply of tobacco is more than enough to meet normal requirements for domestic consumption and exports and to maintain stocks adequate to meet requirements when adverse condi-

tions cut production below consumption. This quantity, as defined in the act, consists of a normal year's domestic consumption and exports plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports, which is defined in the act as normal production, plus an additional reserve supply of 5 percent of this normal production. This level is called the reserve level.

Section 41 provides the mechanics for making the quotas effective. It requires the Secretary to proclaim the amount of the total supply of tobacco not later than December 1 of any year in which, prior to November 15, he has found that the total supply exceeds the reserve supply level. It provides that in such a case he shall specify the amount of a national marketing quota in terms of the total quantity of tobacco which may be marketed. The amount is to be such as will make available for marketing a supply equal to the reserve supply level. The quota so determined becomes effective during the next succeeding marketing year.

The section also requires the Secretary to conduct a referendum within 30 days after he issues the proclamation, to determine whether farmers who will be subject to the marketing quota favor or oppose it. It provides that if he finds that more than one-third oppose the quota, he shall proclaim that fact before the 1st of January, whereupon the quota previously announced becomes ineffective. The section provides that any quota for the 1938-39 marketing year may be made effective by an announcement by the Secretary not later than February 1, 1938, and that the results of the referendum

may be deferred in that year until not later than the 1st of March.

Section 42 provides for the apportionment of the national marketing quota among the States on the basis of the total production of tobacco in each State during the preceding 5 calendar years. It provides that this apportionment shall take into account tobacco base acreages and goals established under previous agricultural adjustment and conservation programs and requires that adjustments be made for abnormal conditions of production, for small farms, and for trends during the 5-year period. These provisions are designed to make possible a fairer apportionment than would result from the use of a purely mathematical basis. The section provides also for the use of not in excess of 3 percent of the marketing quota for any State for allotment among farms in the State on which tobacco is being produced for the first time in 10 years. It provides that the apportionment of this 3 percent shall be based upon the land, labor, and equipment available for the production of tobacco on such farms, the crop-rotation practices that have been employed on such farms, and the soil and other physical factors on such farms which affect their capacity to produce tobacco. The quotas for such farms are required to be limited to not more than 75 percent of the quotas established for farms which have a similar capacity to produce tobacco but which have produced tobacco during the 10-year period.

Subsection (d) provides that marketing quotas may be transferred, but only subject to such conditions and in such manner as the Secretary may prescribe.

Section 43 (a) provides that a marketing quota may be increased if the Secretary finds that its operation is preventing a normal supply of tobacco from becoming available.

Subsection (b) provides for the termination of any marketing quota if the Secretary finds such termination necessary because of an increased demand resulting from a war on national emergency.

Section 44 prescribes a penalty, payable by any person who knowingly acquires tobacco marketed by a producer from a farm in excess of the marketing quota. The penalty is 50 percent of the market price of the tobacco on the day of such acquisition or 3 cents per pound in case of flue-cured, Maryland, or burley tobacco, and 2 cents per pound in case of all other tobacco, if these per-pound rates are higher than 50 percent of the market price. A purchaser is permitted to deduct the amount of the penalty from the purchase price.

Subsection (b) provides that the Secretary may require persons having to do with the production, marketing, and processing of tobacco to keep records and report information necessary to enable him to carry out the provisions of the title. It provides also for the examination of books and records which the Secretary has reason to believe are relevant to a determination of the correctness of any such report or record or to the obtaining of information required to be furnished in any report. The section also provides a fine for any person failing to make any report or keep any such records required or making a false report or record.

Subsection (c) confers jurisdiction upon the district courts of the United States to enforce the provisions of the section and imposes a duty upon district attorneys to commence proceedings to collect the penalties, if and when the Secretary requests them to do so. The section provides also that the remedies and penalties of the section are additional to existing remedies and penalties.

Subsection (d) requires that all information required by the Secretary pursuant to the section be kept confidential, except that it may be disclosed in a suit or hearing involving the administration of the marketing-quota provisions for tobacco.

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