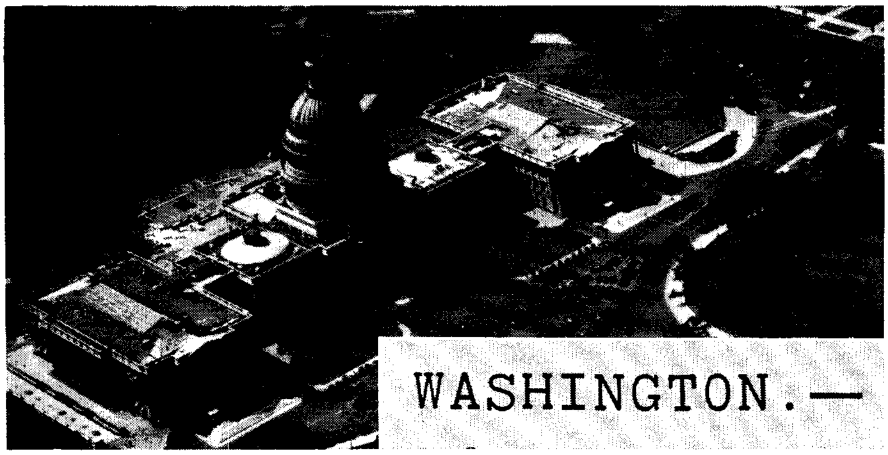

Restricting imports of agricultural commodities raises political and economic questions

CONGRESS has a "frying pan or fire" issue on its hands in the question of restricting imports of farm products. Congress' main objectives are to devise means of protecting domestic agriculture from the economic disruptions resulting from imports of foods which are in surplus supply in the U.S. and to save large government expenditures involved in buying up surpluses of price supported commodities.

Banning imports of such products might accomplish this objective, but such action would be contrary to the Administration's announced policy of fostering international trade and would probably be a source of much friction in international relations.

Current discussion centers about two legislative proposals. One would continue present authority to ban or restrict imports of dairy and certain other farm products. The other, supported by Secretary of Agriculture Ezra T. Benson, would permit the President to act on short notice to limit or even ban imports of farm products which are in surplus supply in this country. This proposal could be put into effect by strengthening Section 22 of the Agricultural Adjustment Act of 1935.

Section 22, as it now stands, permits quotas or higher tariffs on imports when they interfere with domestic price support and crop production programs. Attempts to put this provision into effect meet with several practical problems. One is the requirement that the Tariff Commission hold hearings before any action can be taken. Time required for such a procedure tends to make it ineffective, as the harm resulting from imports of the items in question would already have occurred before corrective action could be taken. Section 22 has been invoked only five times since the law was passed 18 years ago. Further, under this act, imports can be restricted to not more than 50% of the import level of some designated base period. As noted below, the Tariff Commission has just announced an investigation under the provisions of Section 22.

Mr. Benson advocates that Section 22 be strengthened by giving the President authority to impose quotas or tariffs at his own discretion in an emergency, after which the Tariff Commission would make its study. Sen. George D. Aiken (R.-Vt.), chairman of the Senate Agriculture Committee, has indicated his approval of such a proposal.

Without quotas, Mr. Benson stated, support programs might be buried under foreign supplies imported into the U.S. because of more favorable prices. He warned that high price supports could reduce exports of farm products if such supports were substantially above world prices.

Opposition to Emergency Controls

The Defense Production Act, which allows imposition of economic and production controls, expires on June 30. Section 104 of this act allows imposition of quotas or even bans of imports of dairy products and certain other farm products.

Legislation is presently under consideration in Congress to extend the Defense Production Act. Opposition to renewal of Section 104 has been expressed by some government agencies, including the Departments of State and Agriculture.

What will be done to protect the farmer is not yet known, but it appears certain that some protective action will result through the Agricultural Adjustment Act, the Defense Production Act, or some other proposal. In referring to imports of dairy products under Section 104, Sen. Aiken said: "It is a safe bet that Congress is not going to leave the dairy industry in a helpless condition after July 1."

Tarriff Commission Hearings Scheduled

The President recently directed the Tariff Commission to investigate the effects on Agriculture Department programs of imports of several farm products under the Agricultural Adjustment Act. Public hearings will begin in Washington on May 4.

Items to be considered are butter, butter oil, cheese, malted milk, dried milk products, flaxseed (linseed) and linseed oil, peanuts and peanut oil, and tung nuts and tung oil.

Imports of these items are presently restricted by Defense Food Order No. 3, issued in accordance with provisions of Section 104 of the Defense Production Act. This order and act expire June 30.

Many Issues Involved

If the question of imports of farm products were the only issue involved, solution of the problem would be much simpler. This issue, however, is only one part of the over-all agricultural program and such foreign policy items as reciprocal trade.

The decline in farm prosperity in relation to advances made by the rest of the economy presents the new Administration with a serious economic problem. The year 1952, for example, was characterized by the second largest volume of crops in the nation's history, by a steady decline in farm prices, and by increases in the cost of living and in the costs of farm production.

Nearly 355 million acres were planted and 341 million acres were harvested in 1952, a five million acre increase over 1951. Gross farm income, before taxes, was $37.6 billion, 2% above 1951. Net income, however, was $15 million, the same as for 1951. Rising production costs left the farmers with 38% of their gross income.

The Bureau of Agricultural Economics reports that the farmer's dollar income dropped 26% between 1947 and 1950 and his purchasing power dropped 29% in the same period. The net income of the farmer has increased since 1950 but has not kept pace with other segments of the economy.

The decline in prices of farm products during 1951 (approximately 11%) has been attributed to increased supplies, decreased exports ($3.4 billion in 1952 compared to $4.0 billion in 1951), and increased marketing costs.

The outlook for 1953, the U.S. Department of Agriculture says, is about as follows: Gross farm income the same or slightly less than in 1952; increase in production expense resulting in 5% decrease in farmer's total realized net income; probable further increases in such overhead costs as interest, taxes, and depreciation, and slightly lower prices.