11-9-1955

G. C. Cortright, Jr. testimony

Cauley George Caldwell Cortright

November 9, 1955

To: The Committee on Agriculture and Forestry
United States Senate

Mr. Chairman and Gentlemen:

My name is G. C. Cortright, Jr. I am a cotton farmer from Sharkey County, Mississippi, and a vice president of the American Cotton Producer Associates. This association is a federation of cotton producer organizations dedicated to the improvement of every phase of cotton and cottonseed.

We are grateful for the privilege of appearing before this committee and for the opportunity to discuss the critical problems that confront producers of cotton in this country.

The business outlook for the United States today presents a picture of continuing prosperity. As a nation, we are hiring more people, selling more goods, and making more profit than any nation has ever done before.

Farm Share Down

Farmers, however, are not sharing equitably in the great prosperity of the nation. In 1954, per capita incomes of farmers totaled $918, as compared with $1836 per capita for non-farmers. As cotton farmers, we are hiring fewer people. We are being forced to produce less goods, and showing lower profits than we have since 1941.1/ From 1951 through 1954, farm income dropped 20 percent.2/ Gross farm income will have declined 11 percent from 1952 through 1955, according to the United States Department of Agriculture. The total debt of farmers is 18 billion dollars, up two billion dollars from 1953, and the total value of all farm assets is down three billion dollars from the peak.3/ The farmer's share of the consumer's dollar has dropped from 52 cents in 1946 to 42 cents in 1955.

1/ Agricultural Outlook Charts, 1954, U. S. Department of Agriculture

2/ Farm Costs and Returns, 1954, U. S. Department of Agriculture

3/ "Facts Important to Farmers," USDA, Office of the Secretary

Cost Increases

The high level of prosperity in the American economy is not being shared on the farm. As farm prices have been going down, equipment costs have been going through another series of rises. For example, B. F. Goodrich, on August 2, 1955, announced that it was raising its farm equipment tire prices 3 1/4 percent. Other major tire firms, according to the Wall Street Journal, also raised their prices. On October 24, Goodyear announced an additional 1 1/2 to 5 percent increase. On August 15, 1955, John Deere Plow Company raised its prices 7 percent on all farm equipment in current production. This John Deere price rise was announced in the wake of wage concessions granted to the UAW, CIO. J. I. Case and Company did the same, and other farm equipment manufacturers were forced to follow suit.

These price increases by major implement firms came on the heels of a new federal wage and hour law increasing the minimum wage to $1.00 per hour. Thus, the farmer is caught with price rises from another direction. These wage increases cannot fail to affect the farmer's payroll through more competition for labor resources in addition to increasing the retail price of manufactured goods.

In the face of the closing of this price-cost scissors, the cotton farmer is confronted with still another dilemma. Income is being cut through drastic acreage controls and, at the same time, export markets are being taken over by other producing countries.

Acreage Cuts

Cotton farmers have demonstrated their willingness to do their share in adjusting supply with demand; however, it is now obvious that low level acreage controls are not accomplishing the desired objectives. Cotton acreage has been stepped down from 28,195,000 acres in 1951 to 18,113,208 in 1955, or about 35.7 percent. The acreage cut was 25 percent in 1954 compared with 1953; the cut was 15 percent in 1955 compared with 1954. Acreage reductions have been reflected in lower incomes for the entire cotton community but have forced extreme hardships on those families that can stand it least. Surveys conducted by the U.S.D.A. showed that more than 55,000 farm families were forced off the farm because of the reduction in cotton acreage for 1955. Additional thousands suffered sharp cutbacks in income and will be asked to vote in December on quotas, with a further reduction of 721,904 acres.

I would like to point out that we believe production has to be reduced when capacity to produce outruns current demands. Acreage allotment provisions were designed, however, to deal with domestic problems and not with a world-wide situation. Through lack of consideration for the domestic scene in our foreign aid programs, the purpose for which our acreage control program was designed has been defeated. By reducing our domestic acreage, we have tried to adjust world supplies, but, at the same time, we have stimulated foreign cotton production with foreign agricultural aids and the encouragement of venture capital, some of which has come from U. S. sources. The result has been an increase in foreign cotton acreage totaling almost exactly that of our reduction at home. The American cotton farmer has had to bear the brunt of an unsuccessful attempt to adjust world supply. He is now facing a permanent loss of historical export markets. (See attached tables showing world cotton production 1949 - 1954-55 and cotton exports.)

Foreign Competition

While we are suffering through a restricted acreage program, our supplies of cotton are being held off the world market through refusals of our government to compete and sell its stocks at competitive prices. Foreign cotton producing countries have been able to find ready markets for their cotton through various aid and subsidy programs and the fact that our domestic program, coupled with our "no sell" policy, guarantees them a market at prices just under our price levels.

It is common knowledge that nearly all foreign countries resort to artificial measures to stimulate exports when such are needed. These devices vary from direct subsidies to manipulation of currency exchange rates. International competition promises to become even tighter this year, as, at the end of July, Pakistan announced that its rupee was being devalued about 30 percent to stimulate exports of cotton and jute. Pakistan cotton was reported by the International Cotton Advisory Committee in September to be significantly cheaper than before. India announced that it was lowering its export tax about 4 cents per pound for the same reason,[1] and on September 3, Egypt announced a reduction in its cotton export tax. As cotton farmers, we see no hope of channeling our cotton into world commerce and regaining a fair share of the world market unless we use some of the methods of competition that other countries consider standard operating procedures.

The Agricultural Trades Mission in its report to the Secretary of Agriculture in June 1954 stated their views as follows: "It is basically important to recognize that in order to sell our products in export markets, we must offer them for sale at competitive prices and on competitive terms. We must also realize what is required to meet both the present short-range situation and the long-range situation.

"For the short range, it must be recognized that we have laws which establish price supports for some commodities at levels higher than the prices of competing commodities in export markets are at the present time or are likely to be in the immediate future.

"If we are to be competitive pricewise in export markets, under these conditions, it will be necessary to resort to some type of governmental export-pricing program.

"It is common practice for many governments to carry out similar types of programs. Under such circumstances, it is unrealistic for us to expect to maintain a fair share of export markets unless we are prepared to compete."

The drying up of our foreign markets has already shown how severe the results of inaction can be. From 1949-50 through 1954-55, total world consumption increased

1/ International Cotton Advisory Committee, Monthly Review of the World Situation, Sept., 1955.

five million, seven hundred thousand bales while domestic production dropped two and one-half million bales.1/ In the 1920's, the U. S. handled nearly 60 percent of the world cotton exports. Now, despite a 20 percent increase in world trade since 1948, the U. S. position has fallen to less than 30 percent of the total.

This gap in the world market has been filled by foreign countries who have rapidly and knowingly increased production in the face of our attempts to adjust supplies. Their plans call for still greater increases in the future. It is therefore evident that we are being unrealistic in continuing to cut domestic acreage and refusing to compete in the world market when foreign production and consumption have shown such great expansion. Unless action is taken immediately, markets which are historically ours will be permanently lost. In its October 1955 report, the International Cotton Advisory Committee said that if the present trend is continued, in two more seasons, foreign free world production may be sufficient to meet all consumption requirements without imports from the United States.

Domestic Mills Threatened

The cotton industry is threatened on still another front. On September 10, U. S. custom collectors put into effect sharply lowered tariff rates on cotton textile imports. These new rates were agreed to by the State Department at Geneva in June 1955 for the purpose of building up the Japanese economy. Japan already enjoys a competitive cost advantage over our domestic mills because of accessibility of lower priced foreign cottons and cheap labor. According to the International Cotton Advisory Committee, Japan now has one-fourth of the total world trade in cotton goods. At the same time, Japan is buying three out of every five bales of their cotton requirements from suppliers other than the United States.

Imports of cotton textiles have been increasing rapidly and the lower tariff will boost the volume of cotton yarn, fabric, apparel, towels, sheets, etc., entering

1/ International Cotton Advisory Committee, Quarterly Statistical Bulletin, Vol. 8, No. 3, April 1955.

this country. The implications are easily seen. As cotton farmers, our domestic mills are our best customers. The importation of large quantities of foreign textiles into the United States will not only displace goods produced in this country, thereby jeopardizing the position of our domestic mills, but will have a double-barrel effect on cotton producers. Domestic consumption of U. S. cotton will be lowered at the same time that our export markets are shrinking. If we continue to follow the present policy, this will necessitate still greater cuts in cotton acreage. Cotton production and manufacturing in this country would drop to a new low, thereby affecting the incomes of millions of farmers, mill workers and middlemen.

Effect on National Economy

This situation of depressed farm income must be solved not only to strengthen the economic position of farming people of the United States, but also to halt the eventual spread of this recession to industry and business. Historically proven relationships show that dips in agricultural receipts forecast impending drops in industrial income. This relationship has been basic to American economic thinking. Some economists, however, have recently put forth the theory that these relationships are now dead, mainly because agriculture accounts for a smaller percent of the total national income. This line of reasoning ignores the high investment in agricultural facilities and the fact that it takes more investment to get the same dollar return in agriculture than it does in business. In 1953, agricultural plants in the United States were valued at 166 billion dollars.[1] The average investment per farm worker in the same year was $14,500. According to a 1955 report of the Machine and Allied Products Institute, the average investment per industrial worker is $11,400. Obviously, this heavy investment in agriculture is an important factor in the domestic economy.

1/ Agricultural Statistics, USDA, 1954.

The importance of agriculture can be further shown by the value of industrial sales in the farming community. In 1953, there was $1,553,931,000[1] worth of farm machinery and equipment sold in the United States. In the same year, farmers used 6 billion, 775 million gallons of liquid motor fuels exclusive of lubricating oils.[2] They used 19 billion, 465 million kilowatt hours of electricity, for which they paid 434 million dollars. Furthermore, 21,890,000 people lived on farms in 1954. In many areas of the nation, and particularly in parts of the South, almost the whole population depends on agriculture for its income or on income derived from farming people. Certainly, it remains as one of the most important segments of the American economy.

The facts are that a highly important segment of our economy faces a grave crisis. The relationships that caused recessions in the past are still present and they will react again if action is not taken to prevent it.

<u>What Should Be Done</u>

Changes should contribute to the following: an increase of cotton exports; place cotton in a stronger position to compete with synthetic fibers; guard against an influx of foreign textiles; discourage production of staple lengths and grades for which modern cotton manufacturing offers little demand; increase farm income through an increase in volumes of production accompanying any downward adjustment in price; and conserve the productive resources of the United States.

We therefore offer the following specific recommendations:

1. Adequate cotton acreage is essential for a healthy agricultural America and vital to our cotton economy -- mills and producers. If farmers are to have the opportunity to maintain their fair share of the world market without destroying their market at home, it is essential that there be established <u>an over-all dual purpose</u> program. Such a program should assure cotton sales in the world market at competitive

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1/ Agricultural Statistics, USDA, 1954.

2/ Production Economics Research Branch, Agricultural Research Service, USDA.

prices and provide a textile import quota under Section 22 which would permit foreign exporters of cotton textiles a fair share of the domestic market on a historical basis and, at the same time, prevent excessive textile imports. Our domestic mills should also be afforded the raw cotton equivalent of export textiles at the export price. The adoption of such a dual purpose program is necessary if we are to prevent complete disruption of the cotton economy of cotton producing and manufacturing areas.

We specifically endorse and urge adoption of Senate Bill 2702 introduced on July 30, 1955 by 63 members of the United States Senate. Briefly, this bill provides: (1) that the Commodity Credit Corporation is directed to use its existing powers and authorities to encourage sales for export of such quantities of cotton as will re-establish and maintain the fair historical share of the world market for United States cotton, said volume to be determined by the Secretary of Agriculture; and (2) in order to prevent material interference with the sales program authorized under Section 1 or with the cotton price support program, or to prevent loss of domestic markets for cotton, or a reduction in the amount of cotton products produced in the United States from United States cotton, the quantity of manufactured cotton products which may be imported into the United States shall not exceed by more than 50 per centum the average annual quantity imported during a representative period of two consecutive years, as determined by the Secretary of Agriculture: provided, that not to exceed 25 per centum of such quantity may be entered during any calendar quarter.

It is significant to note that our government already has the authority to carry out both of these provisions. There is also ample precedent for administrative use of this authority in the export programs of 1939-40 and 1944-45. In addition, the Commodity Credit Corporation is now selling or has sold more than 20 other agricultural commodities in world trade at competitive prices.

All of the surplus cottonseed oil stocks have been moved into use. All government-owned protein meals have been sold. Surplus soybeans have been moved into world trade on a competitive basis. This has been accomplished with a minimum of of disruption to normal trading and illustrates what can be done when the authority already provided by Congress is used judiciously and effectively.

2. In addition, we recommend that the national cotton allotment for 1957 be set at a level commensurate with an off-take of 14 million bales, five million bales of which should be an export goal. The cotton community cannot continue to absorb the loss in employment opportunities and income made mandatory by minimum allotments. Continued reductions in acreage serve only to cut farm income and as a signal for foreign producers to increase their plantings. Acreage controls are effective only when dealing with the domestic situation or when coupled with a sales program to deal with the surplus in an effective manner.

3. We recommend one change in the provisions of the law applicable to cotton acreage allotments. With acreage allotments at present low levels, state and county reserves are wholly inadequate to deal effectively with small farm hardship cases. We urge that a national cotton acreage reserve, over and above the national allotment, be authorized that would be earmarked specifically for small farms. Such a reserve would prevent displacement of many farm families if used to adjust allotments on small farms to four acres or the highest planted in the past three years, whichever is smaller.

4. Cotton growers are striving to attain levels of income comparable to those in the rest of agriculture and in other industries in these United States. If cotton farmers are forced to take a reduction in price support levels, adjustments should be made in a manner to correct existing marketing inequities and thereby accomplish long-term benefits for the entire industry. This could be done by using the average grade and staple of the crop as the basis for the loan rather than middling 7/8 inch.

Such a shift would discourage the production of unwanted staple lengths and grades. We recommend continuation of price supports at 90 percent of parity with changes in basic calculations as outlined above. It should be pointed out that the shift from the old to the new parity formula will lower price support levels substantially. The current difference in parity for cotton between the old and new formula is approximately 100 points or $5.00 per bale. We consider the change in the parity formula to be a desirable one to eventually attain a more current relationship between selling prices and costs. This change in itself could, however, decrease the loan value of the 1956 crop by $60,000,000, if 12 million bales were to be produced.

5. There is too little authentic information regarding the effects of price upon the consumption of cotton, both in the domestic and foreign markets. We urge that the Department of Agriculture initiate studies to determine the competitive positions of U. S. cotton and synthetics, the inter-relations of price in principal end uses, and the competitive position of U. S. cotton and foreign growths. We recommend that such information, together with cost reductions accompanying research findings and technological advancements in cotton production, be used in formulating long-term adjustments in price support levels. These should serve as first steps toward development of price support levels, volumes of production and cost relationships that will mean a healthy competitive position and comparable incomes for cotton growers in the future.

6. We also recommend that our Technical Assistance Program should emphasize health, sanitation, and the raising of nutritional levels. We do not believe that it benefits any foreign country, and certainly it does no good to the United States, for us to encourage the production abroad of crops of which there is already a world surplus and of which production is curtailed in the United States.

7. Under the extension of credit for agricultural development in foreign countries, we recommend that all loan applications should be screened carefully for possible adverse effects on United States producers. We propose that all such loans

should be conditional upon a commitment by the borrower not to use the proceeds to promote increased production of crops which are in world surplus. This should also be done for Export-Import Bank loans and all other loans and credits.

The future of cotton growing and manufacturing in the United States is overshadowed by the critical nature and urgencies of the immediate situation. Efforts have been made by producers and mills to secure relief through administrative use of the tools already provided by Congress. This relief has not been given.

As cotton farmers, we believe that action to re-establish and retain for the United States a fair share of the world cotton market with adequate protection for domestic mills must be initiated before we can move forward on a sound basis toward developing a long-range cotton program. Under such a program, income parity for cotton should reflect a fair balance and equity between agriculture, industry, labor and other segments of society. With present conditions, the cotton farmer can expect to receive about loan level prices for his cotton. Without this protection and with existing supplies, he is faced with bankruptcy. Sliding scale adjustments, under present conditions, would do little toward reaching the heart of the problem and would only serve to further reduce farm income.

We respectfully urge that the Senate Committee on Agriculture and Forestry initiate necessary action when Congress reconvenes in 1956.

TABLE I. Cotton Exports: World Total, Foreign Countries and United States 1/

Bales of 500 lbs. gross

Years Beginning: August 1	World Total	Foreign Exporting Countries: Actual	Foreign Exporting Countries: Percentage of World	United States: Actual	United States: Percentage of World	
5 Yr. Average	1000 bales	1000 bales		1000 bales		
1925-1929	14,433	5,858	41.6	8,575	59.4	
1930-34	13,260	5,616	42.4	7,644	57.6	
1935-39	13,247	7,658	57.8	5,589	42.2	
1940-44	5,095	3,717	73.0	1,378	27.0	War Years
Annual						
1945	9,309	5,631	60.6	3,678	39.4	
1946	9,518	5,862	61.6	3,656	38.4	
1947	8,646	6,621	76.6	2,025	23.4	Acute Dollar Shortages Abroad
1948	10,987	6,026	54.8	4,961	45.2	
1949	12,552	6,548	52.1	6,004	47.9	
1950	11,878	7,598	64.0	4,280	36.0	Exports under quotas
1951	12,185	6,474	53.1	5,711	46.9	
1952	11,754	8,573	72.9	3,181	27.1	
1953	13,236	9,322	70.4	3,914	29.6	
1954 2/	12,252	8,667	70.6	3,585	29.3	

1/ Foreign Agricultural Service, U.S.D.A.

2/ Preliminary

The marked upward trend of exports from foreign countries since World War II reflects in part the increases in foreign cotton production as shown in Table II. It contrasts sharply with the declining trend in American exports which dropped off abruptly after 1951-52.

It will be noted that in the second half of the 1920's - widely regarded by economists as the most nearly normal period between the wars - United States shipped abroad annually more than 8-1/2 million bales and held almost 60% of the total cotton export trade in the world. In the second half of the 1930's, a period in which price supports were in effect in this country, shipments still exceeded 5-1/2 million bales and were over 42% of the world total. Passing over the war years and the depressed early postwar years to the years of recovery, we see a four year revival from 1948-9 through 1951-2. In this period (which included 1950-51, the year of export restrictions) our exports averaged 5,171,000 bales which amounted to more than 43% of the world total. In the last three seasons, however, notwithstanding substantial increases in total export trade, United States exports have fallen away abruptly.

TABLE II. Cotton Production: World Total, United States, and Other Countries 1949-50/1954-5.

	1949-50	1950-51	1951-52	1952-53	1953-54	1954-55	Change 1949-50 thru 1954-55		Projected 1955-56	Change 1949-50/1955-6	
	1000 bales	1000 bales	1000 bales	1000 bales	1000 bales	1000 bales	1000 bales	Percent	1000 bales	1000 bales	Percent
World Total	31,166	28,289	35,935	35,876	38,015	36,230	+ 5,064	+ 16.2%			
Free World Total	26,689	22,274	28,639	28,896	30,030	28,585	+ 1,896	+ 7.1			
United States	16,005	9,878	15,155	15,167	16,404	13,500	- 2,505	- 15.0	10,000	- 6,005	- 37.5%
12 Other Major Producers	9,403	11,252	12,091	12,275	11,919	13,182	+ 3,779	+ 40.2			
All Minor Producers	1,281	1,144	1,393	1,454	1,707	1,903	+ 622	+ 48.5			
Communist Areas	4,477	6,015	7,296	6,980	7,985	7,635	+ 3,158	+ 70.5			
Detail of 12 Other Major Producers Above											
Argentina	515	566	523	580	600	620	+ 105	+ 20.4			
Brazil	1,350	1,650	1,950	1,600	1,425	1,700	+ 350	+ 25.9			
Peru	335	404	427	403	430	450	+ 115	+ 34.3			
Mexico	917	1,145	1,280	1,250	1,210	1,720	+ 803	+ 87.5			
Belgian Congo	235	215	255	220	235	235	-	-			
Egypt	1,786	1,762	1,673	2,056	1,467	1,500	- 286	- 16.0			
Sudan	305	500	285	385	400	400	+ 95	+ 31.1			
British East Africa	344	346	383	361	367	412	+ 68	+ 19.8			
Syria	61	164	225	205	215	275	+ 214	+350.8			
Turkey	445	545	610	700	600	650	+ 205	+ 46.1			
India	2,390	2,735	3,160	2,975	3,770	3,900	+ 1,510	+ 63.2			
Pakistan	1,020	1,220	1,320	1,540	1,200	1,320	+ 300	+ 29.4			
Total of 12	9,403	11,252	12,091	12,275	11,919	13,182	+ 3,779				

Source: International Cotton Advisory Committee, Statistical Bulletin, Vol. 8, No. 2 for data in bales through 1954-55.
Substantial Increases of Production in all countries but Egypt contrast sharply with U. S. reductions.

Important points to note are: (1) That although producers in the United States decreased their production in this period by 15%, the world crop including the United States increased by more than 5 million bales. That is to say, production outside the United States increased by more than 7½ million bales. (2) Except for Egypt, which curtailed its cotton production after 1952-53, every other country in the world increased. Major foreign producing countries offset the Egyptian production and went on to register an aggregate increase of over 40%. Lesser producers increased not quite 50%.

Business, Industry, Labor show gains

August Employment Set a Record as Jobless Dropped to 22-Month Low

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Government reported employment in August reached a record total of 65.5 million, about 500,000 more than the previous high reached in July.

And unemployment in August dropped ... to 2,200,000, the lowest since November, ...

... ment upturns were reported in soft goods manufacturing, food and tobacco processing, apparel and textiles. Employment gains also ...

July Personal Income Hit Record on Raises For Federal Workers

Total Was at Annual Rate of $304.7 ...

August Chain Store Sales Rose 11.7% From Like 1954 Month

A WALL STREET JOURNAL News Roundup

... Sales of chain stores and mail order houses in August bounded ahead of year-earlier sales for the 12th consecutive month.

Volume of 42 companies reporting in The Wall Street Journal's monthly survey ... 11.7% ahead of August, 1954, ... dollar sales topped $1.1 ...

Goodyear Sales, Net In First Half Topped Any Six-Month Period

Volume Rose 23% Over Like 1954 Interval; Earnings Increased to $2.98 a Share

$.16

By a WALL STREET JOURNAL Staff Reporter

AKRON—Goodyear Tire & Rubber ...

August Construction Put in Place Rose to Record $4 Billion; Total for 8 Months Also Hit New High

Month's Rise Was Third in a Row; Outlays in 1955 Reach $27.1 Billion

By a WALL STREET JOURNAL Staff Reporter

... spending for new construction ... high in August ...

July Dividends Rose Sharply Over '54, Says Commerce Department

But Rise Was Only Moderate After Allowing for Change in Payment Policy Last Year

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Corporations issuing public reports made cash dividend payments of $689 million in July, far above the $563.8 million reported in July of last year, the Commerce Department reported.

However, the department explained, ...

Chain, Mail Order September Sales Topped Like 1954 Month by 12.4%

A WALL STREET JOURNAL News Roundup

Chain stores and mail order houses across the nation posted a fat 12.4% gain in sales last ...

... gain last month. For the year through September, their volume ran better than ...

September Industrial Output Set Record Despite Auto Production Dip

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Industrial ... new high for the month ...

International Harvester

J. I. Case

Nation's Store Sales Last Week Rose 4% Above Like '54 Period

Nation's Store Sales Rose 15% Last Week Over Like 1954 Period

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—The Federal Reserve Board said department stores throughout the country rolled up 15% better sales last week than in the like week of last year.

All 12 Federal Reserve districts reported ... St. Louis, up 22%; Chicago, up 20% ...

Sears and Ward September Sales Show Large Gains

Big Mail Order Chains Report Volume Increases Near 13% Over Year Ago

Sears 8-Month Sales up 12.6%

By a WALL STREET JOURNAL Staff Reporter

CHICAGO—Sales of the nation's two largest ...

B. F. Goodrich Net Hit $2.52 a Share in Half, Up From $2.16 in '54

Firestone Sales and Net Reached Record Highs In 9 Months to August 31

Special to THE WALL STREET JOURNAL

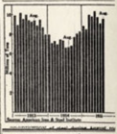
AKRON—Firestone Tire & Rubber Co. scored record highs in sales and earnings in the nine months ended July 31 ...

Today's Index

Friday, October 7, 1955

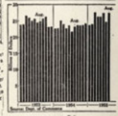
AY, SEPTEMBER 28, 19

Steel Output



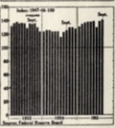
Y, OCTOBER 13, 1955

Manufacturer Sales

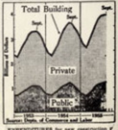


Y, OCTOBER 25, 1955

Industrial Production



Construction Activity



EXPENDITURES for new construction put in place during September was valued at a little over $4 billion, a record high. ...

Farm Price Squeeze Increases

Cost of Building Materials Rise 8.4% Since Mid-1954, Up 26% in Six Years, Labor Department Index Shows

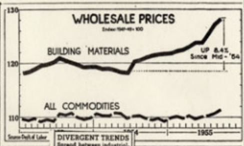
Outstrips Climb in General Price Level, Spurred by Big On-the-Cuff Buying

By a Wall Street Journal Staff Reporter

The cost of building a house, fanned by the biggest on-the-cuff home buying spree on record, is climbing into new high ground.

The Labor Department's index of building material prices for September, recently released, shows them up 8.4% just since the middle of last year. This contrasts sharply with a steady sidewise movement in the average of all prices. (See chart.)

Since 1949, about the time the present big home building boom got under way, building material prices have jumped a solid 26%. The average of all prices, including building materials, has risen over that period only about



PROFIT FOR FARMER EXPECTED TO DROP

Share Of Food Dollar May Be 40 Cents In '56

WASHINGTON, Oct. 31.—(UP)—The farmer's share of the consumer food dollar is expected to decline to 40 cents next year because of increased marketing costs, the Agriculture Department said Monday.

It will cost about 28 billion dollars to process and market the nation's food supply this year, a 44 per cent increase from the 1947-49 average, the department estimated.

The 40 cents farmers are expected to receive out of every dollar spent on food next year compares with an estimated 41 cents this year and 43 cents in 1954.

The department publication, "The Marketing and Transportation Situation," said charges for processing and distributing farm products in 1956 are expected to average near the record high set in the third quarter of this year.

The decline in the farmers' share of the consumer dollar is another facet in the overall farm situation that has become a raging political controversy.

Democrats, and some Republicans, blame Agriculture Secretary Ezra T. Benson's flexible

Farm Products Prices Declined 2% in Month Ended August 15

Drop Was Fourth in a Row; Cost Of Goods Bought by Farmers Dipped 1%

By a Wall Street Journal Staff Reporter

WASHINGTON—Farm goods prices dipped

DIVERGENT TRENDS

Spread between industrial, farm prices grows apace.

FARM INCOME DROP HINTS NEW DECLINE

Down More Than Four Per Cent For Half-Year

WASHINGTON, Sept. 12. — (AP) — The Agriculture Department reported

Farmers' Cash Market Income Declined 4% In 1st 8 Months of '55

By a Wall Street Journal Staff Reporter

WASHINGTON — The Agriculture Department estimated farmers receive about 4% less cash from marketings through August than in the first eight months of 1954.

Steel Industry Talks About Raising Prices to Pay For Needed Expansion but Likely Will Wait Until

Short Time Since Rises of Last July Is Viewed as a Reason For Delay

By Edward J. Lally
Staff Reporter of The Wall Street Journal

PITTSBURGH—The steel industry is talking up higher prices but isn't likely to do any-

and their manufacturing schedules are being cut back accordingly.

On the present outlook, 1956 will be a bigger steel year than 1955, which will bring record production of 118 million ingot tons or more. Customers who are indicating their 1956 steel requirements to their suppliers are, in almost every case, planning to buy more steel next

Food Prices Fall Only on Farm

But Housewife Still Pays at High Cost

Farm prices are falling, but the housewife must continue to pay as much for food, reports Doane Agricultural Service, farm research organization.

Price Tags

Farm Implement Prices Moving Up In Wake of UAW Wage Increases

Special to The Wall Street Journal

MOLINE, Ill.—Farm equipment prices are heading upward as an aftermath of wage increases granted by manufacturers to the C.I.O. United Auto Workers.

prices a similar percentage concurrent signing of a new wage contract.

J. I. Case Co. has raised "some products a similar amount," a company spokesman said. He said notices went out last to dealers.

Ford Raises All 11 Of Its Tractor Models By 3.25% to 8.4%

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Aug 1/56

Company Spokesman Says New UAW Contract and Higher Steel Prices Are Causes

Squeeze Grows As Farm Prices Take New Skid

By The United Press

WASHINGTON, Oct. 28. — Farm prices skidded another two per cent last month and now stands five per cent below a year ago, the Agriculture Department reported Friday.

In a report for the month ended Oct. 15, the department also announced the prices farmers pay for their living and production supplies rose one-third of one per cent during the month.

82 Per Cent Of Parity

The result was that farm earnings at mid-October averaged 82 per cent of the so-called fair price parity. This compared with farm earnings of 84 per cent of parity at mid-September and 87 per cent of parity a year ago.

The report added fuel to the raging controversy over the price-cost squeeze in which many farmers have been caught. It has become a major political issue.

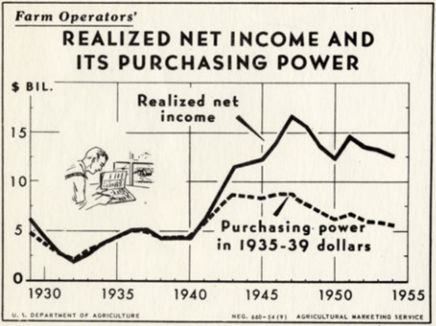
Many Democrats, and some Republicans, blame the Admin-

Goodyear Hikes Prices on All Tires Except Tubeless Effective Today

By a Wall Street Journal Staff Reporter

AKRON—Goodyear Tire & Rubber Co. effective today, increased prices on non-tubeless tires, tubes, tread stock, repair materials and recapping.

Most Rubber Companies Raise Tire Prices in Wake of Goodyear Hike



From 1947 to 1950, farmers' dollar incomes dropped 26 percent, their purchasing power 29 percent. In 1951, farmers' dollar incomes recovered about half of their previous drop, but purchasing power regained less than a fifth of its previous decline. Although prices paid by farmers for family living items have risen only slightly since 1951, further declines in net dollar incomes have reduced farmers' purchasing power to a lower level in 1954 than in any previous year since 1940.

Farm operators' realized net income and its purchasing power,
United States, 1929-54

Year	Realized net income	Prices paid by farmers for commodities used in family living 1935-39=100	Purchasing power in 1935-39 dollars	Year	Realized net income	Prices paid by farmers for commodities used in family living 1935-39=100	Purchasing power in 1935-39 dollars
	Million dollars	Percent	Million dollars		Million dollars	Percent	Million dollars
1929	6,130	125	4,904	1942	8,849	121	7,313
1930	4,430	117	3,786	1943	11,540	134	8,612
1931	2,829	100	2,829	1944	11,970	142	8,430
1932	1,898	86	2,207	1945	12,286	147	8,358
1933	2,662	87	3,064	1946	14,193	163	8,707
1934	3,766	99	3,804	1947	16,774	192	8,736
1935	4,500	100	4,500	1948	15,604	203	7,687
1936	5,064	100	5,064	1949	13,593	197	6,900
1937	5,095	104	4,899	1950	12,362	199	6,212
1938	4,232	99	4,275	1951	14,540	217	6,700
1939	4,261	97	4,393	1952	13,686	219	6,249
1940	4,296	98	4,386	1953	13,275	218	6,089
1941	6,052	105	5,764	1954 1/	12,500	222	5,630

1/ Tentative estimates as of September 1954.

Data published periodically in Farm Income Situation, (AMS).