

vided under the 1954 Wool Act were maintained.⁶⁶ The cost of maintaining a wool or woollen stockpile, though not known outside the agencies concerned with its administration, actually may be treated as a defense item. For the time being, consumers are providing an annual subsidy of about \$50 million to the domestic woolgrowing industry.⁶⁷ That cost has had to be weighed against the importance to the United States of maintaining domestic wool production at the levels set up as goals in existing legislation—actually a defense expenditure, to be taken care of by the stockpiling program; the cost also had to be weighed against equitable treatment for woolgrowers who have made large investments under protective policies of the past.⁶⁸ The cost of the subsidy finally must be measured against such encouragement as may be desirable for converting cropland now used in growing wheat and other surplus crops to other uses and maintaining prosperity in communities built up in areas heavily dependent on sheep production.

With a reduced production objective of 150 million pounds, the present subsidy would certainly be lowered. However, while exit from the industry would be encouraged, particularly for some growers in the native States, the reduced production objective would still permit intramarginal wool growers in the Western States to continue operations under a moderate price support program.

A stabilization program of the kind run by the Commodity Credit Corporation would remain desirable even under an adjustment program such as described in this chapter. As an acquisition and holding operation—separate and distinct from the stockpiling program—it would reduce Government losses from a temporary glut in the wool market, which otherwise might result in very low prices and correspondingly high Government support payments.⁶⁹ Since the market for raw wool may be severely depressed from time to time by a sharp falling off of demand, there is continuing need for standby arrangements whereby domestically grown wool can be acquired and held until mill demand picks up. For this task an organization like the CCC is well suited. Even large wool stocks can be liquidated in an orderly way, if the holding agency has sufficient time and financial resources.

⁶⁶ The program would probably be even less costly if handled in the form of purchase-and-loan operations. Keeping the income-payment approach, however, would not interfere with the objectives of the adjustment program, and would probably ease the way to its adoption.

⁶⁷ For the year 1955, for example, the cost of the wool program under the 1954 Wool Act was \$57,585,166, including \$49,989,467 for shorn wool incentive payments, and \$7.6 million for lamb (meat price support) payments. From these payments deductions of \$3.1 million were made for the wool and lamb promotion program provided for in the act (USDA press release 1949-57, June 21, 1957). The cost of the 1956 program appears to have been about 90 percent of the 1955 program—or roughly \$45 million for shorn wool. For 1957, the incentive price, 62 cents, was left unchanged, and the cost of the program remained about the same.

⁶⁸ The high level of support for wool provided by the 1954 act rested on the assumption that it would affect the amount of wool produced and could, therefore, be justified in terms of equity. However, the problem of equitable returns to sheepgrowers is complicated by the fact that wool producers have income from lambs and mutton as well. See Benedict and Stine, *op. cit.*, p. 360.

⁶⁹ Current activities of the Commodity Credit Corporation are essentially concerned with operations at the support price level, which is lower than the present incentive price level. But with a reduced production objective, the two prices may well coincide. In recent years, the CCC has had no problem selling wool at supporting price and has been able to hold down its inventory of raw wool to manageable proportions. In the event of a reversal of market trends the stabilization function of the CCC evidently would assume much greater importance.