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EMERGENCY FEED GRAIN PROGRAM

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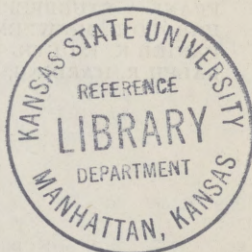
HEARINGS
BEFORE THE
SUBCOMMITTEE ON
LIVESTOCK AND FEED GRAINS
OF THE
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 4510

FEBRUARY 21 AND 22, 1961



Printed for the use of the Committee on Agriculture

Serial A



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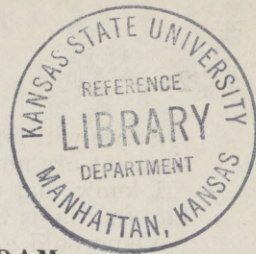


CONTENTS

	Page
H.R. 4510, a bill to provide a special program for feed grains for 1961.....	2
Statement of—	
Battles, Roy, assistant to the master, the National Grange, accom- panied by Fred Bailey.....	51
Brooks, William F., on behalf of the National Grain Trade Council..	97
Freeman, Hon. Orville L., Secretary of Agriculture; accompanied by E. A. Jaenke, Associate Administrator, Commodity Stabilization Service; W. W. Cochrane, assistant to the Secretary; and John Bagwell, General Counsel, U.S. Department of Agriculture.....	3
Heinkel, Fred, Missouri Farmers Association.....	90
Johnson, Reuben L., acting director, Division of Legislative Services of the National Farmers Union.....	60
Kimball, Thomas L., executive director, National Wildlife Federation..	108
Otto, Warren H., Bradshaw, Nebr.....	98
Shuman, Charles B., president, American Farm Bureau Federation; accompanied by John C. Lynn, legislative director; and Marvin L. McLain, assistant legislative director.....	70
Simpson, Charles, president of the American Soybean Association and Industry.....	66
Smith, Hon. Neal, a Representative in Congress from the State of Iowa.....	106
Additional data submitted to the subcommittee by—	
Shuman, Charles B.: A bill to establish a cropland adjustment pro- gram.....	73
Communications submitted to the subcommittee—	
Miller, Glenn E., president of the Miller Seed Co., Lincoln, Nebr., letter of February 24, 1961.....	109
Nelsen, Hon. Ancher, a Representative in Congress from the State of Minnesota, letter of February 24, 1961.....	47

CONTENTS

1	1. The purpose of the study is to provide a general overview of the current state of research on the topic of [illegible] and to identify the key areas for further investigation.
2	2. The study is organized into five main sections: Introduction, Literature Review, Methodology, Results, and Conclusion.
3	3. The Introduction section provides a brief overview of the research problem and the objectives of the study.
4	4. The Literature Review section discusses the existing research on the topic and identifies the gaps in the current knowledge.
5	5. The Methodology section describes the research design, data collection methods, and statistical analysis techniques used in the study.
6	6. The Results section presents the findings of the study, including the main results and the statistical significance of the findings.
7	7. The Conclusion section summarizes the key findings of the study and discusses the implications for future research and practice.
8	8. The study is limited by the sample size and the cross-sectional design, which may affect the generalizability of the findings.
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EMERGENCY FEED GRAIN PROGRAM

TUESDAY, FEBRUARY 21, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED
GRAINS OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to notice, in room 1310, New House Office Building, the Honorable W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Cooley, Poage (presiding), Jennings, Matthews, Coad, Breeding, Hoeven, Dague, Quie, Short, May, and Latta.

Also present. Representatives Abernethy, Albert, Johnson of Wisconsin, Hagen, Stubblefield, Harding, Inouye, McIntire, Harvey, Beerman, Dole, Reifel, Neal Smith, Carl Anderson, Langen of Minnesota, Nelsen of Minnesota, and Findley.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and John Heimbürger, counsel.

Mr. POAGE (presiding). The committee will come to order.

We are honored this morning to have the Secretary of Agriculture with us to present the views of the Department on the feed grain problem and to give us the ideas of the Department as to how we can best deal with that problem.

As all of you know, there has been a bill introduced by the chairman of this subcommittee which embodies the departmental views as to the necessity for legislation on the feed grain problem.

I want it understood that the committee, of course, does not claim that we are going to pass this bill word for word, and the fact that it bears my name does not mean that I do not think changes can be made in it. Indeed, I definitely want some changes. I shall offer amendments myself, but I feel that the Secretary should have his program presented in detail.

I am sure Secretary Freeman will tell you that he is not here telling you dogmatically that he has presented any tablets of stone which must be passed without a change but, rather, that he is going to tell you, I think as I would tell you, that he believes he has a sound basis of approach to the feed grain problem and that he wants to work with this committee to work out all of the necessary details to make that approach most effective.

You will find that this legislation does not cover all of the details of the program because there is existing legislation which gives the Secretary a great deal of power to implement this approach without new legislation.

So we will find that the details of rentals or payment for land re-
 tirement are not in the bill but will be in administrative orders.

I know that the Secretary's time is valuable. We appreciate the
 fact that he is willing to come up here to talk with us.

You would all like to have an opportunity to talk with the man
 who is going to administer the program.

Mr. Secretary, you are extremely welcome here. We are delighted
 to have you here. We believe that you are showing the type of ag-
 gressive interest in the problems of agriculture which we think is
 necessary, if we are going to ever bring any improvement into agri-
 culture.

We think that you have shown an awareness of the things that
 must be done first, and that your efforts to do those things first is
 something that we appreciate.

Mr. Secretary, we will be glad to have you proceed and present
 matters, as you see fit.

(There was standing applause by the committee members.)

(H.R. 4510 is as follows:)

[H.R. 4510, 87th Cong., 1st sess.]

A BILL To provide a special program for feed grains for 1961.

*Be it enacted by the Senate and House of Representatives of the United
 States of America in Congress assembled, That section 105 of the Agricultural
 Act of 1949, as amended, is amended by adding the following new subsection:*

"(c) Notwithstanding any other provision of law—

"(1) The level of price support for the 1961 crop of corn shall be \$1.20
 per bushel.

"(2) The level of price support for the 1961 crop of oats, rye, barley, and
 grain sorghums shall be such level as the Secretary determines is fair and
 reasonable in relation to the level of price support for corn, taking into
 consideration the feeding value of such commodity in relation to corn and
 the other factors set forth in section 401(b) hereof.

"(3) The Secretary shall require as a condition of eligibility for price
 support on the 1961 crop of corn, grain sorghums, and any other feed grain
 which he may designate that the producer shall participate in the special
 agricultural conservation program for 1961 for feed grains to the extent
 prescribed by the Secretary."

SEC. 2. Section 16 of the Soil Conservation and Domestic Allotment Act, as
 amended, is amended by adding the following new subsection:

"(c) Notwithstanding any other provision of law—

"(1) The Secretary shall formulate and carry out a special agricultural
 conservation program for 1961, without regard to provisions which would
 be applicable to the regular agricultural conservation program, under
 which, subject to such terms and conditions as the Secretary determines, con-
 servation practice payments in amounts determined by the Secretary to be
 fair and reasonable shall be made to producers who divert acreage from the
 production of corn, grain sorghums, and such other feed grains as the
 Secretary may designate, to an approved conservation use.

"(2) Obligations under such program may be incurred in advance of
 appropriations therefor (i) for payments in cash in an amount not exceed-
 ing \$500,000,000, and (ii) for payments-in-kind for diversion of acreage,
 within such limits as the Secretary may require, in addition to that re-
 quired to be diverted in order to be eligible for price support. Payments-in-
 kind shall be made through the issuance of certificates redeemable by the
 Commodity Credit Corporation in accordance with regulations prescribed by
 the Secretary for feed grains or, at the option of the producer to whom the
 certificate is issued, for cash. To the extent such certificates are redeemed
 for cash, Commodity Credit Corporation shall sell a sufficient quantity of
 feed grains at the market price to cover the cost of such cash redemptions.

"(3) There are hereby authorized to be appropriated such amounts as may be necessary to enable the Secretary to carry out this section 16(c). The Commodity Credit Corporation is authorized to advance from its capital funds such sums as may be necessary to pay administrative expenses in connection with such program during the fiscal year ending June 30, 1961."

SEC. 3. Notwithstanding any other provision of law, the Commodity Credit Corporation is authorized to sell any feed grain at market prices during the marketing year for the 1961 crop of such feed grain.

STATEMENT BY ORVILLE L. FREEMAN, SECRETARY OF AGRICULTURE; ACCOMPANIED BY E. A. JAENKE, ASSOCIATE ADMINISTRATOR, COMMODITY STABILIZATION SERVICE; W. W. COCHRANE, ASSISTANT TO THE SECRETARY, AND JOHN BAGWELL, GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Secretary FREEMAN. Thank you very much, Mr. Chairman, Congressman Poage, Congressman Hoeven, and members of this committee, ladies and gentlemen.

May I thank you—

Mr. POAGE. Mr. Secretary, you may be seated, if you care to.

Secretary FREEMAN. I will probably be jumping up and down. If I am not mistaken, you will have me jumping up and down.

Mr. COOLEY. You had better enjoy this ovation because this may be the last. I hope not, but it may be.

Secretary FREEMAN. This will be the last one?

That is the prediction, Mr. Chairman: That the ovations are apt to be few and far between.

There is a rumor going around that my job is not the easiest one in Washington. Nonetheless, may I say it is one that I am enjoying and we hope to make a contribution, and we look forward to the very closest working relationship with this committee.

I appreciate, first, your very generous welcome, and, second, your prefacing my remarks by saying that I do not come here like a prophet of wisdom.

I have no tablet of stone. I have no idea that I have all the answers.

As a matter of fact, I come here with some trepidation. This is a somewhat, or let us say a very complicated subject, when you get into its intricacies.

I would feel much better prepared had I had the opportunity that many, if not all, of you have had to sit here and listen to testimony and to review proposals over a span of a good many years.

We have worked very hard to attempt to arrive at some recommendations that would make sense. We submit them now to your wisdom.

I have learned as a Governor that the Congress or the legislature, as the case may be, the legislative branch of Government, when it reviews the recommendations of the executive, brings to light many things that need to be considered.

I also believe that it is a responsibility of the executive to make, so far as it can, firm recommendation. The policies and the final decisions are made by the Congress.

We had a saying at home, which I learned very well as a Governor, that the Governor proposes but the legislature disposes, and I have been informed that is the case here as well.

Let me get on with the business at hand.

No. 1, I think all of you have before you a bill that was introduced.

We have been burning the midnight oil—as a matter of fact, until almost 2 o'clock this morning—and reviewing and discussing and reviewing again, because this is done under transition circumstances in the Department.

I would suggest that you might—an amendment has been placed before you—just quickly take a look at two amendments we would propose to the bill as originally introduced for the purposes of our discussion here.

At the conclusion of the bill—section 3—we would add the following language which you have before you.

Mr. MATTHEWS. Mr. Secretary, could you wait just a minute, please?

Secretary FREEMAN. Yes, sir.

May I proceed, Mr. Chairman?

Mr. POAGE. You may.

Secretary FREEMAN. The addition would follow. You have in your hands a copy of a typewritten original that I hold.

Beginning with the word "*Provided*" there would be added to section 3 the following language:

That the sales of any feed grain shall not be made at a price below the support price which would be in effect if the support level for the 1961 crop of such feed grain had been established under section 105 (a) and (b) of the Agricultural Act of 1949, as amended.

In other words—and I would deal with this as I develop our proposals—that if some of the discretionary authority that we request were granted, it would be with the limitation that, directing this to corn, that it would not be permitted to fall below \$1.05 a bushel.

That would be the practical effect of this addition. The language is in the terms stated, so that it would cover all of the feed grains.

Secondly, under section 2, subsection 2, and then the (ii) under it, which is in parentheses, to cross out the words, in effect, if you have the bill:

* * * in addition to that required to be diverted in order to be eligible for price support.

That is line 8.

Cross out starting in line 8, then, "in addition to that required to be diverted in order," and in line 9, "to be eligible for price support"—stopping there. The reason is to give more flexibility in connection with potential payments-in-kind.

With those changes in the bill as Congressman Poage so graciously introduced it, I will now comment on the proposals that we make.

I would prefer, Mr. Chairman, not to just read this statement. I am sure that this committee could read it faster than I could read it orally, so let me just summarize it.

Then—

Mr. POAGE. Without objection, we will insert the statement in the record, and you may make any comments you care to.

(The statement referred to is as follows:)

STATEMENT BY SECRETARY OF AGRICULTURE ORVILLE L. FREEMAN BEFORE THE FEED GRAIN SUBCOMMITTEE OF THE HOUSE COMMITTEE ON AGRICULTURE, FEBRUARY 21, 1961

Mr. Chairman and members of the committee, it is with a sense of great urgency that I come before you this first time as Secretary of Agriculture. I appreciate, and I feel sure that the farm people of the Nation appreciate, your prompt action in considering the special legislation that President Kennedy has proposed for dealing with the feed grain problem.

This emergency program will, in our judgment, meet this situation with benefits to the producer, the consumer, the taxpayer, and the American economy as a whole.

Specifically, it will do these things:

First, it will assure increased income for participating farmers in the important feed grain sector of our agricultural economy.

Second, it will assure the consumer of fair and stable prices for meat, poultry, and dairy products.

Third, it will cost the taxpayer some \$500 million less than the present program.

And fourth, it will reduce the Government's holdings of feed grains.

The feed grain-livestock complex is the largest part of our agricultural economy. It is vitally important. It accounts for nearly two-thirds of gross farm receipts.

The existing program combining price support with unlimited production has not worked. It has resulted in the accumulation and buildup of huge stocks of feed grains. It has lured and threatens to lure producers into expanding, far beyond what current markets can absorb at fair prices, the production of poultry, eggs, dairy products, and meat.

If the current program of price supports on unlimited production of feed grains is allowed to continue, even this year, surplus stocks in Government hands will reach even more alarming proportions. A virtually unmanageable storage problem will be created. Farm income will drop further. And additional millions of dollars will be needlessly spent.

It is only reasonable then that a change in the present direction is in order. The Government now holds from previous crops some 2.7 billion bushels of feed grains. The investment is at an alltime high of nearly \$4 billion. If the present program is permitted to continue, the Government will be required to acquire 610 million bushels of feed grains from the 1961 crop and prior-crop reseals in the calendar year 1962. The cost of acquisition will be approximately \$603 million. Based on experience, the storage and handling charges prior to the time of disposition of these grains will cost the American public another \$959 million. The total investment, therefore, would be more than \$1½ billion.

If we assume that these grains will eventually be moved at their full acquisition value, the net expense to the public would still be more than a billion dollars. But this is only part of the dollar cost; unless we begin action now to bring order and balance into the total feed grain picture, the livestock economy will likely be in chaos in the next few years, and farm income will be at ruinous levels.

What is the alternative to this situation?

It is, we believe, along the lines of the legislation presented to the Congress by the President in his letter to the Speaker on last Thursday.

With prompt enactment of this legislation, the Department of Agriculture can place into effect an emergency feed grain program to be effective for the 1961 crop.

The program is a voluntary one. It gives to the producers an opportunity to cooperate in a program which will bring our feed grain supplies more nearly in line with needs. No producer will be required to participate. It would be operated through the farmer committee system, which has earned the confidence of the people—farm and nonfarm people alike.

The program will be considerably less expensive than the existing program.

The estimated cost to the Government of the conservation payments under this program is from \$400 million to \$500 million. There will be an outlay also for payments-in-kind, but these will be more than counterbalanced in time by savings made possible by reducing stocks that require expensive storage and by reducing production of grain that would be eligible for price-support loans if produced. There may also be some outlay for price-support loans, but with

a reasonably high degree of cooperation among farmers, total feed grain production will be brought more nearly into line with demand so that prices will rise and Government stocks will be absorbed in the market. The total estimated cost of the program in the long run will be the cost of the conservation payments—\$400 to \$500 million. This will replace the estimated expenditures under the existing program of \$1.5 to \$1.6 billion of which we could expect to recover eventually not more than \$500 million. The net saving under the proposed special program as compared with the existing program would be on the order of \$500 million.

To the cooperating farmer, this program offers an opportunity to increase both his gross and net returns.

To the taxpayer, the proposed program offers an end to the wasteful buildup of feed grain stocks; in fact, we believe under this program we will be able to reduce the stocks held by the Government.

To the consumer, in addition to the ultimate savings of their tax dollars, this program offers a continued supply of abundant high-quality food at fair and stable prices.

I would like now to present the major features of this program, with a brief discussion of the legislative and administrative requirements.

The legislation proposed to you by the President would do these things:

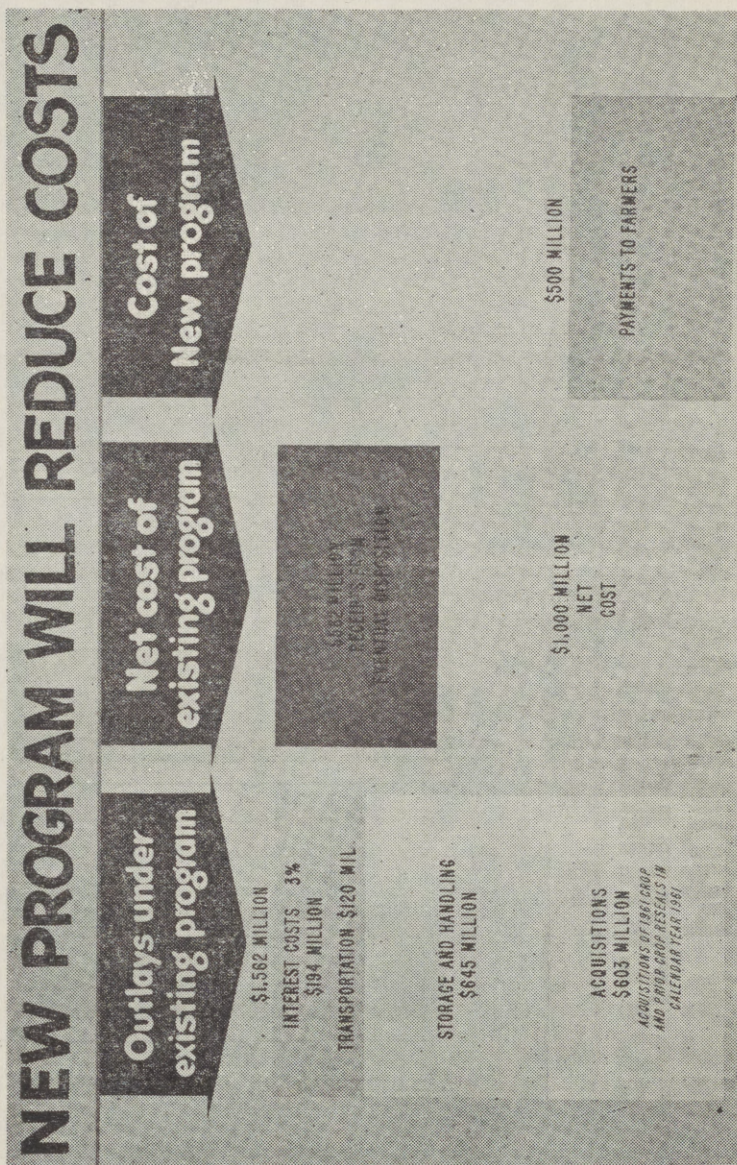
1. Establish for 1961 a special agricultural conservation program to encourage producers to divert feed grain acreage to soil conserving uses;
2. Make participation in this special program a condition of eligibility for price supports on feed grains;
3. Permit payments-in-kind out of Government stocks of feed grains to producers who divert acreage out of feed grain production.
4. Increase the level of price supports for feed grains to assure the producer a more reasonable return from each bushel he produces;
5. Permit the Government to sell stocks of feed grains at market prices in order to avoid holding a price umbrella over noncooperators.

The producer has several choices to make. First, does he want to take part in the program? He becomes a cooperator by diverting at least 20 percent of his base acreage from corn, grain sorghum, or other feed grains to a soil-conserving use. (The base period to be used in computing acreage history is 1959-60.) When he takes this step, he becomes eligible for price supports on his feed grain production. The national average rate proposed for corn is \$1.20 a bushel, with rates for other feed grains in relation thereto. He also becomes eligible for a payment under the special agricultural conservation program. This is made at the rate of 60 percent of the support price for the normal yield per acre. The producer who lives where the corn support price is exactly the national average can compute his rate as 60 percent of \$1.20 or 72 cents times his yield in the base period. If that was 50 bushels an acre, the payment per acre is \$36.

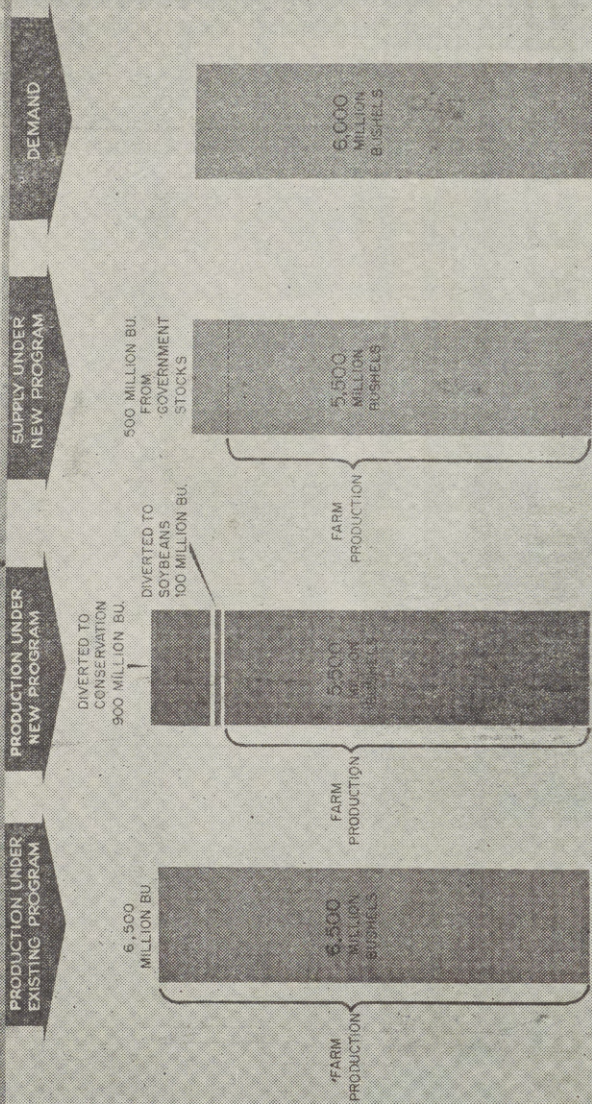
After deciding to take the basic step of diverting 20 percent of his feed grain acreage, the producer makes another decision. Does he want to divert a larger amount? He can obtain additional benefits by diverting up to 20 percent more of his base acreage. For each additional acre, he can earn payments-in-kind at the rate of two-thirds of his normal yield. If his corn yield was 50 bushels, his payment-in-kind will be 33½ bushels per acre. His payment will be in the form of a certificate which he can redeem in grain or in cash as he wishes. If he chooses cash, the Commodity Credit Corporation will sell enough grain to cover the cost.

With the proposed new program in effect, the farmer who does not participate will have to take his chances on an unsupported feed grain market.

We can go into the details of the program to whatever extent you wish. However, before completing this initial presentation, I would like to discuss some charts which portray the feed grain situation.



NEW PROGRAM WILL REDUCE GOVERNMENT STOCKS



NEW PROGRAM WILL INCREASE FARM INCOME

OLD PROGRAMS

NEW PROGRAMS

(120 ACRES)

SOY BEANS
20 ACRES
20 ACRES X 24 BU.
PER ACRE X \$2.00
PER BUSHEL

\$ 960

100 ACRES X 50 BU.
PER ACRE X \$1.05
PER BUSHEL

\$5,250

CORN
100 ACRES

ACRES

INCOME \$6,210

\$ 720

20 ACRES X 50
BUSHELS PER
ACRE X 60 %
OF \$1.20.

CONSERVATION
20 ACRES

\$1,932

35 ACRES X 24 BU.
PER ACRE X \$2.30
PER BUSHEL

SOY BEANS
35 ACRES

65 ACRES X 54 BU.
PER ACRE X \$1.20
PER BUSHEL

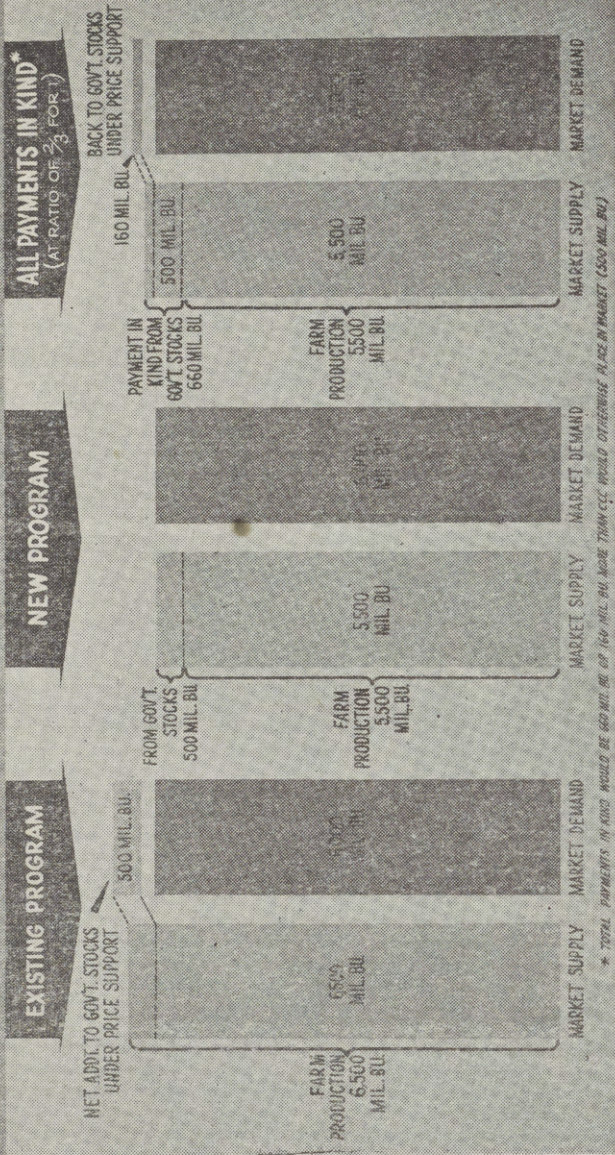
\$4,212

CORN
65 ACRES

ACRES

INCOME \$6,864

PAYMENTS IN KIND- USE AND LIMITATIONS



Secretary FREEMAN. Thank you, sir.

First of all, this is an emergency 1-year program. The members of this committee realize better than I that there is not time to have a referendum and to have a 1961 feed grain program that would, therefore, apply to all producers.

Hence, the need for fast action, and the reason why we are here today.

We urge, if you find these recommendations to be sound, that this legislation be moved as rapidly as possible.

Shortly after, or even before I was made Secretary of Agriculture, there was brought to my attention the nature of the problem we faced in feed grains, with something approximating 2,700 million bushels valued at \$4 billion presently in storage, and with a crop to go into the ground in a couple of weeks which would add to the amount in storage at very, very substantial costs to the U.S. Government and to the taxpayers.

This chart indicates, I think, what we are talking about:

That if nothing is done about feed grains this year, under the present law as it stands, there will be an addition to that in storage an amount in the neighborhood of 600 million to 700 million bushels, as nearly as we can calculate it.

Using 600 million bushels for the moment, the outlays under the present program will total \$1,562 million before that corn has been handled and eventually disposed of.

This is made up, as you will see on the chart, and in the printed statement, of interest costs at 3 percent, \$194 million; transportation; storage and handling; and acquisition costs at \$603 million.

Now, the existing program, after disposal, which is estimated to take, according to current supplies at least, from 7 to 10 years during which \$562 million will be recovered, would leave us with a final net cost of approximately \$1 billion.

The cost of the new program, as we estimate it, would be \$500 million, or a net saving of \$500 million.

Dr. Cochrane, would you take that chart off there, please? This is Dr. Cochrane, Assistant to the Secretary and the Economic Adviser, who has worked very closely with me on this proposal.

That is No. 1, then. We feel this program will reduce farm costs.

No. 2, the program will increase farm income. Under the old program we have taken a hypothetical case here of 120 acres—100 acres in corn, 20 acres in soybeans—and under the proposal that is made in this testimony, there would be, and as you will see in terms of income, \$960 from soybeans and \$5,250 from corn, for an income of \$6,210.

Now, under the new program we would see 20 acres in corn conservation reserve, with a payment at \$720 by way of income; 35 acres of soybeans at \$2.30, the proposed support price, for an income of \$1,932; and 65 acres in corn with an income of \$4,212; or an income of \$6,864.

Let me sketch how this would be accomplished, if I may, quickly. Again, this is in the printed statement.

No. 1, we would seek to have directed into soil conservation use acreage, in this instance 20 acres, through the medium of a payment of 60 percent of a support level of \$1.20 that would be established.

In effect, this amounts, Mr. Chairman, to buying these acres out of production; and inasmuch as this would need to be done on a completely voluntary basis, I submit to you there is no alternative. We have sought to make this desirable, and it is our best judgment that it will be desirable.

The second part of this program would be to have—and that is not shown on that chart—the option of payment in kind up to 20 percent more acres, which would be paid for at two-thirds of the return where, in this instance, it has been 60 percent.

There would be a slightly greater payment for those who saw fit to take advantage of the option of payment in kind. That does not happen to be on this chart.

The third result that we hope would flow from the program would be a transfer of some acreage in feed grains to soybeans.

This is a combination program:

First, to attempt to divert, for the time being, acreage from feed grains by utilizing sound conservation methods.

Secondly, by diverting some of that production to soybeans. The price on soybeans is presently strong. The market potential is excellent, both domestic and foreign; and in this instance we feel there would be in this hypothesis some 35 acres that would go into soybeans.

And, finally, there would be remaining the 65 acres which would then qualify for supports at \$1.20.

This, roughly, outlines the program.

A controversial or potentially controversial question is that of what do you do about noncompliers. And let me direct my attention to that directly and not dance around it.

This is a problem, and we have sought to provide for discretionary authority so that as this program develops, it would be within the power of the Secretary in administering the program, subject to the limitations of the amendment that I just gave you, to release corn on the market, feed grains on the market, so that the noncomplier would not profit at the expense of the complier.

Secondly, it has been suggested to me that there is something that goes on occasionally in the Federal Government—we never did this in the State—called backdoor financing, and we would say that we would propose to pay for this, insofar as the acreage reserve is concerned, by a direct appropriation, rather than by any kind of indirect financing.

This, of course, covers the high points, I think, and I would suggest that perhaps our efforts to answer your questions might shed more light on our proposal than my repeating, or attempting to read, my prepared statement.

I would apologize to my associates here for not having formally presented them to you.

To my immediate left is Mr. Ed Jaenke, whom many of you know, who previously served here on the Hill, who is the Associate Administrator of the Commodity Stabilization Service; Mr. John Bagwell, who blames Minnesota weather for having slipped and broken his arm, and I absolve myself from that blame; and to my right Dr. Willard Cochrane, who is the Economic Adviser to the Secretary.

I thank you for your kind attention.

We will endeavor to answer your questions.

Mr. POAGE. Mr. Chairman, do you have any questions?

Mr. COOLEY. No, thank you, Mr. Chairman. That is all right. I will pass the questions.

Mr. POAGE. I want to ask you, Mr. Secretary, as to the reasons for the \$1.20 support figure.

Now, to me, it seems rather important that we should pay a higher support price than we now have in this bill. It seems to me that \$1.30 is a much more realistic figure than the \$1.20.

And, conversely, it seems to me that we are getting our proposed payments per acre far too high.

I know that you must have enough payment coming to the farmers to make it to their advantage to retire land from the production of feed grain.

That is how the program is supposed to work.

But I am talking about the relative importance of the support versus the rental payments.

Would you give us your thinking as to why you emphasize the acreage payment and deemphasize the support payment?

Secretary FREEMAN. Well, the thinking, Mr. Chairman, was that we wanted to divert into soybeans—"divert" is perhaps too strong a word, but let us say gently nudge into soybeans—as much corn acreage as would be practical and feasible.

The ratio has been such that we would have to have a substantially higher support level on soybeans than \$2.30, if we are to have a support level on corn of \$1.30. This was the fundamental reason.

We hope that in the neighborhood of 4 million acres would move from corn to soybeans, with a support price of \$2.30.

Mr. POAGE. I am completely lost on this soybean matter. I find no objection to trying to divert corn acreage into soybeans. I realize the advantage of that.

But just what is our oil situation?

I have been under the impression that our vegetable oils are in pretty bad shape anyhow. What is the situation there, Mr. Secretary?

Secretary FREEMAN. The situation is that the last I noted that the market on soybeans was about \$2.47, and the demand was strong both domestic and foreign, and the predictions are that it will continue so.

Further, the need for vegetable oil all over the world will continue strong and is limitless.

Mr. POAGE. Now, when you say \$2.40, I do not understand enough about it.

We sell our oil by the pound at 11.5 cents or 12 cents a pound.

Secretary FREEMAN. I said soybeans themselves, a bushel, or that is what I meant to say.

Mr. POAGE. I see.

But now I am getting down to the oil situation. What is the oil situation?

I know there is a good demand for protein, for the meal, but what is the oil situation?

Secretary FREEMAN. The demand for the oil, I think, is reflected in the price of the bean right now, the demand for the oil is strong.

Mr. POAGE. Is the bean selling for the oil or is it selling for the protein? That is what I am wondering. I have been told that the cottonseed price was dependent on the value of the meal; that there

was not a high enough price for oil to justify even the present price of cottonseed. Cottonseed sold this fall at about \$37 a ton, and we were told that the reason for that—I am not telling you that I know it, but we were told that the reason for that low price—was that there was not any market for the oil.

Secretary FREEMAN. I can only answer that, Congressman, by saying that I am told that the market for oil is strong and potentially will continue strong, both domestically and internationally.

Mr. POAGE. I am wondering if there is somebody here that can tell us what the price of oil is today.

Secretary FREEMAN. Do you know, Willard?

Mr. COAD. Mr. Chairman, the highest it has been in several years.

Mr. POAGE. What is it? It was about 11 cents. But what is it now?

Mr. COAD. It is probably 12 or 13 cents.

Secretary FREEMAN. I will certainly get it for you. I did not bring anybody from marketing along with me, Mr. Chairman.

(The information referred to follows:)

The price of crude soybean oil at Decatur on March 1 was close to 13 cents per pound. The price has risen markedly, from about 8 cents last fall to about 13 cents today.

Mr. POAGE. That is not a very good price for oil.

Mr. COAD. But it is stronger by about a nickel than it has been in several years.

Mr. POAGE. Mr. Quie suggests, and I think probably correctly, that possibly the movement of oil that you have authorized through Mr. McGovern's organization has probably strengthened the price of oil in the last few weeks.

Secretary FREEMAN. It is difficult to know the exact effects.

We are now procuring oil for the use of the volunteer agencies under Public Law 480.

This, however, was actually an offset to an adjustment in a program negotiated with Spain that subsequently transferred from oil to wheat.

So this would not really have had a very great effect on the market.

I will be happy, Congressman, to send you a memorandum in terms more specific, but in terms both domestic and foreign, current and projected, showing that the demand for the oil is strong.

And, of course, the protein feed that results from it will be in shorter supply than would be if it directly comes from corn, as you know better than I.

Mr. POAGE. Let us turn to——

Mr. ALBERT. Mr. Chairman, on that, may I ask a question?

Mr. POAGE. Certainly.

Mr. ALBERT. It is also true, is it not, Mr. Secretary, in establishing the ratio as between price support and price for diverted acreage that the higher you make the support, the greater tendency you will have to fertilize and otherwise to increase the crop which you are trying to cut down?

Secretary FREEMAN. That is another problem, Congressman Albert, that we are faced with, and it is a consideration. It is said that in the sense this becomes self-defeating because you make it desirable to fertilize.

But I would say to this committee that we have taken into consideration the slippage factor, and sought to make allowance for, first, that the best acres will not go out of production and into conservation purposes.

Now, the best of the corn acreage will stay in production and the least productive will come out.

That is No. 1.

And No. 2, the fact that there will possibly be a more intensive application of both fertilizer and hybrid seed.

We call this a slippage factor in our estimates of calculations. We have taken it into consideration. We hope we are right.

Mr. POAGE. Before we get off of this, before we get to the general proposition, may I follow this through? On this matter of transfer to soybeans, it seems to me that if we emphasize these payments for the retirement of land, and you make the rentals 60 percent of normal production—I am disturbed about the answer we are going to give the consuming public and to our colleagues on the floor when we go over there and they ask us:

“Is this what it costs this farmer? Are you only paying this farmer his cost?” And we try to say: “Yes, we are paying his costs. We are paying him so that he will now come out approximately as well as if he had planted his corn.”

Secretary FREEMAN. A little better.

Mr. POAGE. The public would say: “Does he make 66 percent clear profit on his gross sales?”

Of course, no farmer makes that. Of course, it is not a profit. I understand that and you understand it. But I think the public generally is going to beat us over the head terribly with the proposition.

Now, of course, I know that there are other expenses and you know that.

But you are going to have a terrible time getting the New York Times to explain that.

In fact, I guess they are not about to explain it.

And whenever you read such an explanation in the New York Times or in the Chicago Sun or in any of the other of these big papers, will you bring them up here, because I want to see them. I never have read any such explanation of the farmer's problems in these papers.

Secretary FREEMAN. I would certainly defer to the judgment of this committee as to what it would take in order to accomplish the 20-percent reduction of acreage that we think essential.

But I would say this, Mr. Chairman, that it is not a question of two ideal situations. It is a question of practical alternatives.

They are difficult to explain on occasion, but I think that this one is quite obvious, as we showed the difference between spending \$500 million and starting in the direction of cutting down the stocks of feed grains, or spending \$1.5 billion and adding to it.

And I would hope that the gentlemen of the press would so present the alternatives; and if they do, I think the public will understand.

Mr. POAGE. I do not think there is any question about proving that the program will be helpful to the Nation. The alternative is merely, in my mind, whether we should pay more in the way of support price and less in the way of rental. I am not talking about the sum total which you are spending. I am talking about whether you are em-

phasizing the support price or whether you are emphasizing the rental.

Now, I understand from your testimony—and I think it makes sense—that you are emphasizing the rental in order to try to get more land in soybeans; that that is the reason for this ratio.

Secretary FREEMAN. Well, actually this is a factor. Also, the increase in support price on soybeans is probably an equally strong factor moving in the direction of the acreage transfer.

Mr. POAGE. Yes.

Secretary FREEMAN. I think Mr. Chairman, that we have plenty of wheat and feed grains, and that what we need in the world is more proteins and more oils.

I think there are many people of the world and people in the United States, who have a nutritionally deficient diet right now, and we ought to start in any way we can to producing in the channels that will tend to meet that.

I think the diversion factor into oils and proteins is a very important factor.

I would defer to your judgment on the mechanics of this. You have had a lot more experience than I.

Mr. POAGE. Now, let me ask you this: In the same paragraph there the bill provides a level of price support for 1961 crops of oats, rye, barley, and grain sorghums.

Oats, rye, and barley are at least in a substantial part planted now. Almost all the rye is planted. Certainly, I would suppose more than half of our barley is planted. In California, certainly, it is all planted and right close to harvest.

Certainly, in the southern third of the Nation, all the oats are planted.

I think that we are opening the door to another round of outright fraud.

I do not mean that you are proposing any fraud, but I mean that those of us who are situated as I am are being given a chance to get our hands in Uncle Sam's pockets.

I have some 200 acres of oats down in Texas right now, and I know which part of those oats are going to be pretty good and which part is not going to make much of anything. If I put 100 acres of those oats into reserve in order to qualify, which I suppose I would do under this program, in the first place, you will get some oats that have been drowned out, frozen out, green-bugged, and everything else. You would get the poorest oats, of course.

You would cut down my production very little.

In the next place, I would graze those oats just as heavy as I could graze them, as fast as I could get in the fields, before I plowed them up to get in the program.

Now, I do not think I am any worse than the average. I think that is what every farmer is going to do whether he has oats or barley or rye.

That is not going to make a nice picture when it happens. The surplus of these products is very minor. Oats, I believe, we have only 10 million bushels, is it not, on hand?

I have these figures here, or had them a moment ago.

Secretary FREEMAN. Something like that.

Mr. POAGE. The estimated total stocks is 10 million bushels of oats; of barley, 47; and of rye, of course, we have not even that much. It would seem to me that the dangers which we encounter by including those crops, the criticism we are going to get, is going to be so tremendous that I just wonder if it is worthwhile to include those crops.

We are not talking of this kind of program for wheat and the very reason we are not talking about it is we know about two-thirds of the wheat is already up. There is still a third of the wheat yet that has got to be planted or maybe a fourth.

All the spring wheat is yet to be planted.

But we recognize that such a large percentage of it is already up that the farmer can make that same distinction which I can make in oats.

That we think is bad, and we are not going to try it for wheat, and I do not think we ought to try it for other small grains.

Mr. COOLEY. Would the chairman yield for one observation?

It occurs to me, line 19, page 2, that the Secretary would have control of the situation that the chairman has described, and by proper regulations he could prevent abuse of the program by any farmer who is trying to put bad land in the program and keep out good land.

Mr. POAGE. The Secretary cannot prevent it, Mr. Chairman.

It is impossible, if you are going to give me the right to put in oats in the program at this time of the year, you cannot keep me from grazing them before I plow them up. I have got a month while we discuss this bill to do that.

Mr. COOLEY. But if he provides in the regulation that you cannot graze, and he puts in a provision of compliance and the average acres or the production of average acres, it seems to me he could control it.

Mr. POAGE. He cannot get that average acreage. It is an utter impossibility for him to go out and go to every farm. You have only got a 1-year program. That is going to be the greatest difficulty of the whole program, in the first place.

Secretary FREEMAN. Mr. Chairman, if that was your judgment and that of this committee, why, we certainly would defer to your wisdom.

I mean we included it here. There is a very practical problem, as you describe it. It would be an administrative problem, as Mr. Cooley indicates.

There would be in this bill discretionary authority. If the committee saw fit to take it out, why, we would not feel that it had been irreparably damaged.

Mr. POAGE. Thank you.

I just wanted to find out your position.

Mr. COOLEY. At least we could make the bill perfectly clear in that regard so as to prevent an abuse, and, as you said to begin with, this bill is wide open for amendment and we can strengthen it in that section.

Secretary FREEMAN. Yes, sir.

Mr. POAGE. Certainly. And right in that same section there is another thing that I think can help you greatly in the administration of this; that would make it easier, I think.

You have a support price there for grain sorghums.

At such level as the Secretary shall determine to be fair and reasonable in relation to the level of price support for corn, taking into consideration the feeding value of such commodity in relation to corn and the other factors set forth in section 4 hereof.

and that means the eight factors set out in the law, such as location.

Secretary FREEMAN. Right.

Mr. POAGE. Desirability, and so on, which has always caused us trouble.

We have had all kinds of trouble on that, here before this committee, and all over the country in the past. It seems to me that we might save a great deal of trouble by simply writing into the bill for grain sorghums the plain dollars and cents, instead of bothering about those factors, because if you leave those factors open, you are going to have those people who think that grain sorghum ought to be supported as high as corn—and most of the producers think so—they are going to be right up here.

Those people who think grain sorghum ought to be supported at no more than 90 percent of corn are going to be right up here, and those people who think grain sorghum ought to be supported at about 95—where I think it ought to be supported—are going to be right here, all arguing with you all summer about what this actually means.

You are going to have confusion at planting time—you cannot help it—because as long as you have the right to change your regulations, as you have under this, everybody is going to try to argue you down.

On the other hand, if it is agreed that a pound of grain sorghum is worth 95 percent as much as a pound of corn—and I think that that is a reasonable figure—we could simply say that if you are supporting corn at \$1.20 a bushel, you would support a hundredweight of grain sorghum at \$2.04.

If the support of corn is \$1.30; then that is \$2.20 for a hundredweight of grain sorghum. Grain sorghum is sold by hundredweights and not by the bushel, as you know.

It seems to me that if we just write the plain figure in there, we would have no more argument about it.

That is merely a matter of administration. I know it is not anything which is fundamental or vital, but it just seems to me to be one of those things that would save us a great deal of trouble in the future.

I wonder if you see any objection to doing that?

Secretary FREEMAN. I see no objection to doing that.

Mr. POAGE. Mr. Jennings.

Mr. JENNINGS. Mr. Secretary, I notice you limit this retirement to 20 percent, the original retirement to 20 percent. What is the reasoning behind that limitation of 20 percent?

Secretary FREEMAN. Budget, primarily. This was envisaged as the cash payment part, designed to remove from 600 to 700 million bushels from the market, at what we felt was a practical figure, and then to have the alternative, the option, on the payment-in-kind, which, of course, does not remove as much from the market and would not have the effect of strengthening the price.

Mr. JENNINGS. Would there be any objection to saying 25 acres or 20 percent, whichever is greater? I am thinking now particularly for the smaller farmers who might get into the program.

Secretary FREEMAN. I think your point is well made. What you are really saying is that it would apply to a farmer who had up to 15 or 20 acres. I think that would be a sensible amendment, and we certainly would see nothing to disagree with in making it.

Mr. JENNINGS. That is all.

Mr. POAGE. Thank you.

Mr. QUIE?

Mr. QUIE. In the first part of your bill, Mr. Secretary, when you set the dollars-and-cents figure of the support level, this is different than all the rest of the bill which gives you complete jurisdiction to handle the program.

Why did you not just propose to change present law which fixes the price support at the 65 percent parity, and give yourself latitude and go ahead and set the support level at whatever level you wanted to?

I might say at the outset, too, I think you made a good presentation here. I like the idea of voluntary retirement of land, and there are many good, strong features of this bill that I think ought to be enacted into law. But I know one of the problems we are going to have in passing this legislation.

The price support level is one part which is going to make it difficult for us to pass. We should grant the Secretary the power to set the support level as he, in his wisdom, decides is right for these various commodities.

In the past we have given considerable latitude in all of the other commodities with the exception of corn. Why would this not be acceptable to you?

I know the political pressure would be on you instead of us, but other than that, what objections would you have?

Secretary FREEMAN. That is to be expected. I am not an elected official; I am no longer in that position, Congressman.

To answer the question directly, if this committee and the Congress in its wisdom saw fit to give this discretion to the Secretary of Agriculture, I would be happy to assume it as part of my responsibilities.

It has been my experience that legislative bodies, by and large, are often not too anxious to give discretionary authority to the executive branch of Government, and so I am being conservative here this morning.

Mr. QUIE. But there was only one time, as I recall, that we actually set the dollars-and-cents figures, and that was last year in dairy products.

I think that would not be necessary for you as Secretary to set the dairy products price support level, nor do I think it should be necessary in this bill.

Secretary FREEMAN. There is an additional factor, Congressman, in that we do hope to illustrate by this means what we are trying to do.

Without a set figure, it becomes extremely difficult. Then we would have to say—I expect we would ask for discretionary authority—if we had it, this is what we would do.

This assumes that you would see fit to grant it. I would prefer not to assume until you do so. But if you do so, I will exercise it, to the best of my ability.

Mr. QUIE. You indicate that you would set the payment at 60 percent on the first 20 percent and the two-thirds on the second 20 percent of crops retired, I personally feel this would not be too high because

as the farmer reduces the portion of his acreage in production, his overhead is practically the same.

About all he saves is his seed and fertilizer and the gas to run across those acres.

So, really, his net profit on those acres is an extremely high percentage of his gross return.

Mr. POAGE. Would the gentleman yield right there?

I want to make it clear that what I was saying was not that it was too much for the farmer, but that we are going to be faced with the newspaper accounts that you were paying that farmer two-thirds of his gross income because he could otherwise realize that much net profit.

That is all I am saying: That they will hit us over the head with that with a misleading argument. I agree with you, Mr. Quie that the farmer actually makes a very small net profit out of his gross.

Mr. QUIE. Good.

Now, if you were going to increase price supports on soybeans to \$2.30, this would mean, would it not, that you would have to continue the Public Law 480 donations of oil?

Secretary FREEMAN. It is extremely difficult to predict with real preciseness market and demand conditions, but we would assume that there will be a continuation of Public Law 480.

I think the President has indicated that this is an important program, has established a food for peace coordinator. Nothing is more important in this program than vegetable oil, unless it be dry skim milk, and, as such, it will depend upon his judgment and the judgment of the Congress.

This is kind of—let us put it this way in terms of alternatives, if I may:

I think the U.S. Government and the American people would be a lot better off in having more soybeans than having more feed grains.

Mr. QUIE. The functioning of this program is going to depend on the judgment you use. I would imagine there will be continued demands, then, that if you provide the oil for foreign donations, that you will also provide it for domestic donations.

This is an area of great concern to producers of dairy products, and there has always been a concern about providing vegetable oils for donations in this country. While in the past we have used butter, when it is in surplus, for donations.

What would you be likely to do in that case?

Secretary FREEMAN. I would only say that in our own country, why, we run pretty strong on fats in our diet. As you know, there has been in the direct distribution program now very substantial quantities of lard being distributed, and butter is being directly distributed.

We recently purchased several million pounds of butter and are continuing to do so.

Really, the big deficit area in connection with the vegetable oils is in terms of four areas, both the commercial market which has been strong, and also the program as it develops under Public Law 480.

Exactly how it will develop, I certainly do not know. I do not think anybody could be precise. But I would go back to what I said before, and if I had my "druthers," I would rather have soybeans than feed grains stored at this time.

Mr. QUIE. Could I paraphrase you in saying that it is very unlikely that you will provide vegetable oils for donations in this country?

Secretary FREEMAN. I would hesitate to say that we would not. You mean for direct distributions? I really would not know.

The likelihood is not that there would be any substantial amount, because the fat diet has not been as limited here, and there is a heavy distribution program of butter.

I would not say to you, Congressman, that I would absolutely foreclose the possibility of any vegetable oils in a direct distribution or food stamp program.

I think the likelihood that it will have as strong an emphasis as it will have in foreign programs is pretty slim.

Mr. QUIE. In your answer to Mr. Jennings you set the figure at 20 percent that must be retired in order to receive price supports.

Why did you limit diverted acres to an additional 20 percent? Why not an additional 30 percent in order that voluntarily they could take more out for payment-in-kind, if they so desired. In this way you could accomplish more in your program?

Secretary FREEMAN. Very frankly, because we would prefer that the family farmer stays in business, instead of going out of business. And if he gets over 40 percent in the conservation reserve, I think he might very well go out of business.

Mr. QUIE. You mean if he puts in 50 percent of his corn acres in the conservation reserve, instead of 40 percent, that might be his determination to go out of business?

Secretary FREEMAN. That is a value judgment, but as you begin to consider the economics of it, this might very well be the case.

He might be able to paint a house in town and make up the difference and go out of business for a while. You have seen him do that in Minnesota and so have I.

Mr. QUIE. That was when whole farms go out under the conservation reserve. I do not think there are any statistics that show under the acreage reserve people put their corn acreage in the reserve and then left the farm. I think under the conservation reserve the whole thing was different.

Secretary FREEMAN. I would not presume to be argumentative about it. It is a judgment value factor and, furthermore, we felt we would be accomplishing the purpose.

If we could get 40 percent, why, we will begin to substantially eliminate the present heavy stocks we have in hand, and this is an emergency program, and we, as I say, begin conservatively.

Mr. QUIE. Now, on your other recommendation that you be allowed to sell back onto the market, and, as you have amended this, the present support level which is \$1.06 would be the floor. Would this mean that this would be for corn, then, about a 14-cent difference between compliance and noncompliance?

Secretary FREEMAN. If the program worked perfectly, and we had the amount of compliance that we sought, we would have the price that would clear the market at \$1.20.

Mr. QUIE. You mean you would sell back at the current or at the new support level, rather than at the old support level, as your amendment provides?

Secretary FREEMAN. What I am asking the Congress to do is to give the Secretary the discretionary authority to do so if in light of all of the developing circumstances it seems the wisest thing to do in relation to the total picture.

I really could not give a yes or no, or a dogmatic answer, on that, because we, of course, are estimating now and cannot be precisely sure what will take place.

Mr. QUIE. But is it true that the difference could not be greater than 14 cents on corn?

Secretary FREEMAN. In this instance, it could not be any greater than that; no. Actually, \$1.05 probably, because that is the estimated level on corn for this year, if nothing were done—I mean based on the present law.

Mr. QUIE. What kind of compliance do you expect when you use the figure of \$500 million for cost of the program? What kind of compliance do you expect to receive?

Secretary FREEMAN. We expect to have 70 percent compliance. This is what we are estimating.

Mr. QUIE. This is 70 percent of the acres?

Secretary FREEMAN. We are thinking in terms of acres. This would take some 14 million acres out of production.

Mr. QUIE. 14 million will be out of production?

Secretary FREEMAN. This is the estimate.

Mr. QUIE. And for the remainder, then, they would be receiving \$1.20?

Secretary FREEMAN. For the remainder, the complier would receive \$1.20, would be entitled to loan, and then, depending on what happened in the market, to receive—

Mr. QUIE. If you had to enforce that difference of 14 cents, would you expect, then, all of that \$1.20 compliance corn to go into storage and the market would then be furnished from Commodity Credit stocks?

Secretary FREEMAN. This is the question that, very frankly, I cannot answer, because we just do not know what compliance would be.

If we had 90 percent compliance in this program, why, it probably would be a very minor one.

If we had 30 percent compliance in this program, the problem would be a minor one.

If you are somewhere in between, the problem would be a major one, and I would not feel that it would be appropriate to be specific on hypothetical situations that are, at best, based on estimates that we will have to see how they develop.

Mr. QUIE. Do you have a further inducement of payments for vegetative cover on the land taken out of production?

Secretary FREEMAN. No; we will require that that be done as a part of qualifying and that the land be properly cared for.

Mr. QUIE. So then the expense of the program would be the payment to take land out of production, the difference between the \$1.20 and the resale price?

Secretary FREEMAN. Whatever it might be.

Mr. QUIE. Whatever it might be?

Secretary FREEMAN. Correct.

Mr. QUIE. And then, of course—

Secretary FREEMAN. Plus the payment-in-kind, if you want to consider that. That is what we have now.

Mr. QUIE. Would you object to payment-in-kind for the first 20 percent?

Secretary FREEMAN. The only problem on that, Congressman, is that it would not really accomplish the purpose of removing X amount from the market and raising the price level, because what we would be doing, on the one hand, is saying we want to take corn out of the market; and, on the other hand, we would be putting corn into the market.

The net result is you are going to have almost as much corn in the market as you had before.

So you are not going to stabilize at the \$1.20 price; you are going to be somewhere below that unless you shove out a lot more than the number of acres that you are trying to withdraw.

That is the weakness of the payment-in-kind. After you get the 20 percent out of it, why, then, the payment-in-kind, because we hope the price will be stabilized at a workable level, and from then on out, why, it would be merely working down our so-called surplus stocks.

Mr. QUIE. Have you taken into consideration, then, the effect that the surplus wheat would have as feed grains? I understand that you will be coming up with a wheat proposal some time in the future. We hear it is going to be a certificate plan.

I know you will bring it up here, but there are many worries in the feed grain area.

This, then could throw a substantial amount of wheat on the feed grain market and greatly lower our prices.

Secretary FREEMAN. I would only say that I am very conscious of this problem.

Congressman, you operate a dairy—hog farm not very far from where I own a share in one, and I can assure you I am conscious of this problem.

We do not raise any wheat on our farm and I would guess you probably do not either.

Mr. QUIE. That is right.

Secretary FREEMAN. And you are conscious of this problem. I assure you I am conscious of it.

We are working on this now and recognize the interrelationship and the complexities that flow from it, and would hope, if the Congress is kind enough to pass this bill by the 7th or 8th of March, so we can go to work, that we would have within a couple of weeks after that, before the appropriate committee a program which, at this time at least, I think directed toward the combined wheat and feed grain area.

Mr. ALBERT. Mr. Chairman, would you yield on that one point?

Mr. QUIE. I yield.

Mr. ALBERT. Regardless of that, the only comparison you can make between wheat and feed grain programs under this bill is on the existing wheat program, because this is a 1-year program and the next wheat bill will not affect this year's crop.

Secretary FREEMAN. Thank you, Congressman.

That is absolutely right.

Mr. POAGE. Mr. Breeding?

Mr. BREEDING. Mr. Secretary, I wonder if you have given consideration to letting the farmer plant this entire acreage of 20 percent into some nonsupported and nonsurplus crop without receiving the payment?

Secretary FREEMAN. We have given consideration to it, but we had concluded that it would be sounder to have it in conservation.

This involves some real administrative problems, when you start getting into other areas.

Mr. BREEDING. In my area, there seems to be considerable support for growing other crops, other than those that are in support or in surplus.

I thought perhaps it might save considerable money.

Secretary FREEMAN. This is a problem that I gave some thought to because we are working a little bit on the wool bill and we have a program that is calling for more wool. Well, maybe you could graze this with some sheep, but when we reviewed the problems that flowed from this administratively, at least as an emergency program, we thought that we would keep it as brief, precise, and clear as possible; and there will be enough administrative problems without getting into this one.

And this would be our recommendation: To hold it to conservation purposes.

Mr. BREEDING. Thank you, sir.

Mr. POAGE. Mrs. May?

Mrs. MAY. Mr. Secretary, I know you come from the State of Minnesota, but I was wondering what the possible effect of this bill would have on those people from feed deficit areas from which I come, or in the Northeast, where there is a great deal of feeding of dairy and poultry. Would the producers in these feed deficit areas be able to plan ahead for their feeding operations?

They would not know ahead of time what the Government might do with these stocks of feed grains.

What would be your answer as to what effect this legislation would have on the livestock, dairy, and poultry industry?

Secretary FREEMAN. Madame Congresswoman, there would be:

(a) As much feed grain on the market as would clear the market, and as would be used. All we are seeking to eliminate is that that would go into surplus stocks. That is No. 1.

(b) I think this program would redound to the very great benefit of the feeding areas of livestock or hogs or poultry, because, as we have a surfeit of grains, we then get the corn-hog ratio and other ratios out of balance and we end up with the cycle taken over and we end up with price breaks.

I would predict, if nothing happens, we are going to have one, and I think that the history is that cheap feed usually means cheap hogs, cheap beef, cheap turkey, cheap eggs, and cheap everything.

Mr. POAGE. Mr. Coad?

Mr. COAD. Mr. Secretary, I want to express my personal appreciation for your coming here this morning and congratulate you on the fact that you have been a very good student of the feed grain situation.

I find you are a very adequate witness in this regard. I would like to ask this question:

Has the support price of soybeans been announced at \$2.30, or is it a proposed support price that will be announced, if this bill is enacted?

Secretary FREEMAN. It has not been announced formally, but it is my intention to so announce it and to seek to divert to corn acres.

Mr. COAD. Whether or not this bill is passed?

Secretary FREEMAN. That is my present plan. I am still thinking about this a bit, to be very frank, but I think that there are two things here:

One is to cut back some acres for a while.

The other is to divert them into things that are more usable.

We hope they can proceed together, but I think we would do what we could independently, and that would be my present thinking.

Mr. COAD. If this committee, or the Congress, comes up with a bill with supports at \$1.30 on corn, and with the conservation acres payment cut somewhat, would you recommend a veto of that bill?

Secretary FREEMAN. Would you repeat that, please?

Mr. COAD. If the Congress presents the President with a bill calling for \$1.30 price supports on corn with a somewhat reduced payment for the conservation acres, would you recommend the President veto that bill?

Secretary FREEMAN. I would want to study it carefully, but at this moment I certainly would not.

Mr. COAD. Would you feel that 15 cents below the loan level, which would be the \$1.05-\$1.20 relative values, is sufficient to get the compliance that you need?

Now, obviously you do, by reason of the fact that you have recommended it. But I would like to call to your attention that it was at the rate of \$1.25 and \$1.10 just 3 or 4 years ago that the previous administration had this program, and that that was what broke the back of the \$1.25 price support.

Now, how do you feel that the situation is now different so that the same 15-cent difference will now get compliance that it did not get then?

Secretary FREEMAN. Because we are paying 60 percent by way of cash payment for retired acres, plus the option to get 66 $\frac{2}{3}$ for payment-in-kind.

Mr. POAGE. Mr. Secretary, that is section 3 of the bill?

Secretary FREEMAN. Yes, sir, section 3 of the bill.

Mr. COAD. What is in section 3 of the bill other than the sales program?

Mr. POAGE. The Government is going to throw it right back in the market at \$1.05.

Mr. COAD. He can still get \$1.05; that is the point.

Mr. POAGE. He cannot do it under the original bill. He can do it under the amendment.

Secretary FREEMAN. The real point is the payments.

Mr. COAD. But I am somewhat questioning the advisability of putting a lower limit on this.

Why do we have to say that we are going to save this—

Secretary FREEMAN. Let me say this:

The difference between \$1.20 and \$1.30—and there is some difference here, and I started out with the \$1.30 figure—the first is that as

you set the support up, you are going to have some more intensive cultivation, or at least this is a possibility.

Secondly, I am concerned in the ratio between soybeans and corn.

Therefore, it seemed that it would be more practical to have it at \$1.20. I gather, also, your question is:

Why have any limit on where the price might go?

May I just say I am being conservative.

Mr. COAD. You are being conservative?

Secretary FREEMAN. I am asking for limited powers from the Congress, not unlimited.

Mr. COAD. But somehow you know we might be able to trust our friends in this instance, and my point is——

Secretary FREEMAN. Thank you.

Mr. COAD (continuing). That if there is a real threat that the price could go to 85 or 95 as the market price has been doing in the past, even under the present price support program, why should we hold out and say: "Now you can produce at \$1.05, because I am aware that you can fertilize and you can do everything else to increase your planting population, and that there are those who can make money at \$1.05 under certain conditions."

Now, if by planting out of these acres at \$1.05 you are putting in a two-price support bill here under this situation—and I do not wish to belabor the point—but I question the advisability of coming in with a two-price support level on this.

Would you feel—you have been very cooperative—that this amendment that you have brought in this morning is something to which you are strictly wedded?

Secretary FREEMAN. Yes, sir.

I would leave this to the discretion of the Congress and this committee. If you wish to give that authority, why, I am limiting it because there were some expressions of real concern in connection with it, and so we have limited it, as you note.

If this committee and the Congress, in their wisdom, saw fit to leave it wide open, why, I would administer it to the best of my ability.

Mr. COAD. It seems to me that the threat that you have in your hand, at least before the final planting date, is your most potent weapon, and you have tied, to a degree, your own hands in this regard by this amendment.

Secretary FREEMAN. You are correct. Absolutely, it does.

Mr. COAD. Now, why has there been the discussion here this morning on grazing?

Is it possible under this bill—and I may direct this question to the chairman—is it possible under this bill to graze these conservation acres?

Mr. POAGE. Under the bill it is possible, but I have talked with the Department and I understand they would not allow that.

Secretary FREEMAN. Yes, sir.

Mr. POAGE. I want the Department to tell us in a little more detail, when we get down to it, what they propose to do by way of regulation, apart from the bill.

That is entirely under regulations which are authorized under existing law and there is nothing in this bill which says you can graze or cannot graze it.

Secretary FREEMAN. Our proposal would be to require that they put in adequate cover crop or leave it fallow and it would not be used for grazing or any purpose.

Mr. COAD. I notice on the charts you have presented to us you allow for a small part of the payment-in-kind corn to be resealed.

Would there not also be action there to prohibit the resealing of payment-in-kind grain?

Secretary FREEMAN. This point, Congressman, was to illustrate—and I did not use that chart yet—what the problem is in connection with payment in kind; and that chart refers to all payment in kind.

Mr. COAD. But am I not correct in assuming that either by law or administrative action, there would be prohibitions against the collecting of corn on a payment-in-kind basis and then resealing?

Secretary FREEMAN. Now you have got me stumped on that one.

Oh, yes, I understand now.

Yes; there would be.

Mr. COAD. That would be prohibited?

Secretary FREEMAN. That would be prohibited.

Mr. COAD. Thank you very much.

Mr. QUITE. Would the gentleman yield for just one more question?

What about transfer of acreage to soybeans? Is there not a possibility of a person reducing his hay land and putting it into soybeans under this, or will you protect against that by administrative action?

Secretary FREEMAN. We would make defense on that by administrative action by saying land in fallow or in pasture would not be permitted to be put into soybeans and qualify.

Mr. POAGE. Mr. Short?

Mr. SHORT. Mr. Secretary, I want to commend you on making a very forthright and frank statement about this very complicated and very difficult subject that we have to deal with.

Without taking too much time, I think I should point out to you that there is one group of people who do not subscribe to the basic contention that cheap feed necessarily means cheap prices, and I am thinking of the people whose business it is to produce feeder cattle.

They look upon anything in the way of a price increase of feed grains as something that almost must result in a decrease in the price that the feeder is able to pay for feeding cattle.

He must come out with something of a profit or he is not going to go into the business, and as his costs increase in one area, they almost assuredly must be decreased in another.

Now, I know this is a controversial subject, and I know many people do not agree with my philosophy on this thing, and I know many people do not agree with the livestock people on this thing, but they are very sincere in their belief that any increase in the price of feed grains has to result in a decrease in the price of feeder cattle.

I am not particularly asking you to comment on that, Mr. Secretary.

Secretary FREEMAN. All right, sir.

Mr. SHORT. I just wanted to make it clear here before the committee and this hearing that this is the current opinion at least of the livestock people, at least a great number of them.

Another question that comes to my mind, sir, is: What is going to be the effect of this increased price for feed grains on the pressure that will develop for larger importations of food grains?

Do we have adequate protection under our present laws to restrict increased importations of feed grains?

Secretary FREEMAN. I am not really prepared to discuss that subject. It would have no effect on this bill because we would maintain supplies in the marketplace up to the present level and adequate to meet demands.

I do not think it will cause any increased pressures.

Mr. SHORT. Thank you.

There is one more observation that I would make.

It seems to me that this approach has the same basic weakness that some of the other price-support programs have had in that we attempted to establish a desirable price, perhaps a proper price as far as the farmer was concerned, for the product that he produces, and yet we did not quite provide for the positive control of production that was necessary, if you were going to keep production within the realm of our needs.

Do you think that possibly this should be tightened up a little bit more with a little additional cross-compliance in order to keep these people from pouring on more fertilizer, to keep people from producing only from their very best acres?

Obviously, they are going to retire the poorest ones still under the land retirement aspect of it.

Secretary FREEMAN. Well, very frankly, this might be desirable, but I think it would be impractical. We have taken, to the best of our ability, these factors into consideration in making our estimates in what we would call slippage. I think to tell someone what kind of seed he could use and how much fertilizer he could use would be rather impractical.

This is a real problem in feed grains, as you know, and it is a real problem in acres, as distinguished from bales, bushels, or pounds.

I think, in the long run, we are going to have to move in the direction of bales, bushels, and pounds. But this is an emergency program, and I hope and I believe it will work. I assure you that we have worked hard on it, and hope we have estimated correctly.

Mr. SHORT. There is another aspect of this bill that concerns me a little, and that is the effect on the smaller farms.

Now, this is one of the considerations that has always been a very difficult one in dealing with any program of reduction.

You get down to the smaller farmer that does not have many acres and he perhaps is not doing too well if he produces the capacity from all the acres he has.

If you are going to require him as a consideration for eligibility for price supports to retire at least the first 20 percent, he obviously is not going to get the dollar return that he would, if he cropped the land.

Are we not going to be in a position of almost inevitably reducing the income of this small farmer, who, after all, is the one that is in the economic difficulty, and he is the one that we probably should have the greatest concern about?

Secretary FREEMAN. First, I do not think it will decrease his income; I think it will increase it.

Second, Congressman Jennings just made the opposite point a little while ago that we ought to let him put the whole thing in, if he only had 15 or 20 acres.

I think we could do that. Someone with 15 or 20 acres undoubtedly has other crops and other income on the side, and he is going to do better with this than he would have done otherwise.

In this program his income is going to be strengthened, not weakened.

Mr. SHORT. I do not quite agree with that reasoning that his income is going to be even maintained, because his fixed costs remain the same; but, then, we will not debate that issue any further.

Just one final question, Mr. Secretary. I am a little curious to know what reasoning you went through in arriving at the years 1959 and 1960 as the years to use to establish this feed grain base.

Now, there are several factors that come into the picture right now that make those years almost inevitably provide an imbalance as to what would be a fair feed grain base over a longer period of time, and I am thinking of the increase in corn production over the past couple of years, and perhaps the increase in some of the other feed grains over the past couple of years, as we have cut back or tried to cut back on wheat production.

Secretary FREEMAN. The best judgment was that this would be the most workable base administratively. There was a program back in 1958 where there was a problem of who complied and who did not comply.

All things considered, it was the recommendation of the people who have administered these programs that we, under these circumstances, would be in a stronger position with the base that is named in the bill.

Mr. SHORT. I am reminded of the experience that we had under the wheat program a few years ago when some people, kind of late in the season, realized that—I cannot remember what year it was that was going to be used—

Mr. POAGE. It was 1956.

Mr. SHORT. It was one of the years. It was going to be used for establishing the wheat base, and a lot of people went out and planted all the wheat that they possibly could in the spring, with the primary objective of increasing their wheat history.

Secretary FREEMAN. Yes?

Mr. SHORT. It seems to me that you are dealing, to a considerable degree, with that same premise here, and that some people, perhaps through no fault of their own, are going to be subject to some unfair reductions in their feed grain base while others are going to benefit by some increases because they just happened to put in a large acreage of feed grains in the last couple of years.

Secretary FREEMAN. Let me just read into the record the basis upon which this judgment was made, so that you can review it when you pass final judgment.

The major reasons why the average acreage devoted to each respective feed corn in 1959 and 1960 are being recommended for use as the 1961 farm base acreage are, as follows:

(1) To use 1960 only would result in many inequities due to rotation practices being carried on, on many farms. It would also result in more accidental participation and less diversion under the program.

(2) To use 3 or more years would require crediting diversion on participating farms in 1958 and prior years in the commercial corn

producing area. The data for 3 years back would tend to be less reliable, based upon prior experience in picking up other historical data, and it would require more work to establish acreages which would probably not be as equitable as using the 1959 to 1960.

(3) The additional time required to pick up the data for 1959 is relatively small, compared to the anticipated advantages which would be gained through a 2-year base.

This is the best judgment of the people in the Department who have been administering the program.

Mr. SHORT. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. POAGE. Mr. Hagen?

Mr. HAGEN. Mr. Chairman, some of my questions have been asked, but to get back to the soybeans, what is the value of the Government inventory of soybeans?

Secretary FREEMAN. As of now?

Mr. HAGEN. What is the net investment?

Secretary FREEMAN. Very, very small. I do not have the precise figure. It is very small.

Mr. HAGEN. You do not anticipate it will increase in response to the price supports?

Secretary FREEMAN. I think it could. Of course, I am not sure what is going to happen in connection with either soybeans or vegetable oil in the next year, but I would only say, Congressman, that if the alternative is having more corn or more soybeans, I think I will take the soybeans.

Mr. HAGEN. To get back to this competition of cottonseed oil, are not soybeans and cotton seed pretty competitive both with respect to oil and residue meal for livestock feed?

Secretary FREEMAN. Correct, and there will have to be adjustment accordingly in the cottonseed oil. You have prescribed that by law.

Mr. HAGEN. No. 3, would this program not be made more practical if you set up some kind of a formula making a substantial partial payment at the time of entering into these contracts and perhaps the farmer could use this money to finance the remainder of his crop without expensive bank charges and so forth?

Secretary FREEMAN. You mean if he indicated that he would comply before he put his crop in, you would pay him something?

Mr. HAGEN. The moment he signed up, you would give him 50 percent or some other partial payment. If he had the cash in hand, he could operate more economically from that point on because of a reduced necessity to borrow money.

Secretary FREEMAN. We would certainly be happy to consider that, Congressman. It is a thought. I do not know what we would do if he did not have a crop.

Mr. HAGEN. Well, the Government has made payment in advance on other items including payment of storage charges.

Finally, on this question of imports, I assume that one impact of this program is to raise the price of feed grains?

Secretary FREEMAN. Yes, sir.

Mr. HAGEN. That, in turn, raises the price of red meat and poultry?

Secretary FREEMAN. We think not.

Mr. HAGEN. I just want to point out that one of the major problems of the producers of red meat is this matter of foreign competition which is increasing daily. Particularly it is a problem to west coast

producers. So I think some consideration should be given if this program is adopted to urging improvement of duties or quotes or something, with relation to foreign meat imports because a rise in the price of domestic animals is possible and more foreign imports would be attracted.

Secretary FREEMAN. The Secretary has powers in this direction, and I assure you, we are cognizant of this problem and will act appropriately.

Mr. LATTA. Will the gentleman yield?

Mr. POAGE. Mr. Latta.

Mr. LATTA. Mr. Secretary, I want to commend you and the Department for a forthright statement. I think the approach is a proper approach. I like the voluntary features. I particularly like the land retirement. I like the payments-in-kind. I supported the same in my last campaign.

I have a question I want to raise. Did you make the statement that you did not think under this program we would get our best land into participation?

Secretary FREEMAN. I think it would be the tendency of the farmer who may have 100 acres in corn, if he is going to take 20 acres out, I think probably if he takes 20 acres out, it would be the least productive of the 100.

Mr. LATTA. What you meant is on that farm?

Secretary FREEMAN. Yes.

Mr. LATTA. I thought you meant our best farms generally.

Secretary FREEMAN. No, I mean on the farm, the individual farm, that would be the individual choice. We have taken that into consideration in our estimates.

Mr. LATTA. I think that is the right approach and under it you might get some of our better farms into the program. The highest price paid under the farm program for land in my district was about \$20 an acre. Some of our farmers were paying \$600 or \$700 an acre for this land and under the circumstances you could not expect them to participate in the program. It is good, productive land, and I think under this, you may get some of that good productive land into the program, based on the past history of that farm.

Secretary FREEMAN. Yes, sir.

Mr. LATTA. I think that is a good feature.

Another question that comes up into my mind is the practical aspects of the program. You have a farmer who, in 1959 and 1960, did not sell any of his corn. He put it into the bin, binned it, and did not measure it. You come out and he says:

"Well, I had maybe two-thirds of a bin full of corn." How are you going to ascertain the amount of production that farmer had in 1959 and 1960 on his farm?

Secretary FREEMAN. Well, I am informed that we have in the ASC county offices aerial photographic plots of virtually every farm in the United States of America. We are pretty well informed even right now as to what has been produced and for about how much.

Furthermore, I think most people are honest, and when you ask this question, most farmers are going to give an honest answer. As a practical matter, I think we are going to meet that problem.

Mr. LATTI. I do not get from your answer that you are going to take farm A and base this on production that farm B might have, one productive and one nonproductive side by side?

Secretary FREEMAN. No, what we would do would be sure A takes 20 percent of those acres out. We would then pay him, based upon a \$1.20 support price, the average of production he had had. That information is available to the county committee; it knows what land has been planted, and this does not present any grave administrative difficulties, I am informed.

Mr. LATTI. In the final analysis, though, the situation notwithstanding where the farmer did not market any of his corn in 1959 and 1960, you will have to take his word for it that he raised 100 bushels per acre.

Secretary FREEMAN. Either his word or the word of his neighbor, who might be on the county committee.

Mr. LATTI. That is a possibility.

I notice that you had no hesitancy about your authority to raise soybeans to \$2.30 a bushel. But there was some hesitancy on your part about having the authority to raise the corn. You would prefer to have it in the bill. Would you explain that?

Secretary FREEMAN. The law presently gives the Secretary that authority, so I had no doubt of that authority resting with the Secretary of Agriculture. I am now Secretary of Agriculture, and I come before this committee in a conservative frame of mind, asking for modest increases in the power of the Secretary of Agriculture. If you are more generous, I shall try to act appropriately.

Mr. LATTI. Now, with regard to payments-in-kind, the payments-in-kind section of this bill, beginning on line 9 of page 3 says:

Payments-in-kind shall be made through the issuance of certificates redeemable by the Commodity Credit Corporation in accordance with regulations prescribed by the Secretary for feed grains or, at the option of the producer—and this is the point I had in mind—

at the option of the producer to whom the certificate is issued, for cash.

Now, what percentage of those people do you think will take the cash rather than the payment-in-kind?

Secretary FREEMAN. Frankly, Congressman, it does not make any difference what will happen; this is merely an administrative method of accomplishing payment-in-kind, because if they saw fit to take cash for their certificate, we would then release a proportionate amount of corn on the market. That would provide the cash to pay, and the corn would be on the market. It would save us from the necessity, perhaps, of actually physically transporting feed grains from one part of the country to another in order to actually make a physical payment-in-kind. So this is purely an administrative mechanism that accomplishes the same purpose.

Mr. LATTI. Well, as far as the market itself is concerned, though, it is only going to absorb so much corn, right? In other words, either it comes from the payment-in-cash feature or from direct savings.

Now, to displace that market in some feed grains, are we actually reducing it if we give the producer the option to take the cash?

Secretary FREEMAN. No, he is not given the option there. That is payment-in-kind, period. But the method of making the payment-

in-kind would permit him to take cash, at which point we would put the same amount on the market. So in effect, we are paying him in kind, because if we gave him 100 bushels, he might take it down to the warehouse and sell it and take cash. In this instance, we just short circuit it one step and give him the cash and put that on the market. It is purely administrative in nature and has nothing to do with payment in cash.

Mr. LATTI. I might be reading this wrong, but it reads to me "at the option of the producers."

Secretary FREEMAN. I know it, and I had the same trouble, may I say, when this was first drafted. It has been corrected now, and I have looked into it personally, carefully. It does not say what it seems to say.

Mr. POAGE. I want to interrupt to recognize Mr. Bass, and ask him if he has any questions he would like to ask.

Mr. BASS. Oh, I do not have anything to say.

Mr. SHORT. Mr. Secretary, the question comes to my mind, in connection with Mr. Latta's inquiry, if the cash payments for this second 20-percent retirement can only be made out of funds received, do the payments come from funds received from the sale of Commodity Credit Corporation stocks?

I see John shaking his head. I must be wrong.

What I am getting at is, what assurance do we have that the market is going to absorb these Commodity Credit Corporation stocks at this new price that would be established by virtue of the amendment that you have just suggested to the bill?

Secretary FREEMAN. You mean that the money would be available in order to—

Mr. SHORT. If I understand the rider, Mr. Secretary, the money that would be used to reimburse the farmer in cash for this requirement would come from the sale of Commodity Credit Corporation stocks.

Secretary FREEMAN. Correct.

Mr. SHORT. All right. What assurance do we have that the market would take these stocks as you would release them, not because the market demanded them, but because you needed the money? Maybe the market would not be receptive to taking these stocks.

Mr. ALBERT. Mr. Short, would you yield?

Mr. SHORT. Yes.

Mr. ALBERT. What assurance do you have that a sale of corn will bring as much as the certificate calls for? You pay a man by certificate X dollars per bushel. Then you sell the corn somewhere else. What assurance do you have that you will come out?

Secretary FREEMAN. Because you sell enough corn to make up the amount of cash on the face of this certificate.

Mr. SHORT. But you cannot sell the corn below this price that has been established, this support level. Suppose the market would not support it at \$1.05?

Secretary FREEMAN. I am advised—

Mr. POAGE. Let the Secretary answer the question.

Secretary FREEMAN. I am advised by the general counsel that this corn would not be limited by the provision of the \$1.05 limit.

Mr. SHORT. You can sell it below the \$1.05?

Secretary FREEMAN. If necessary in order to accomplish that purpose. We assume the program is going to work and the market, by this time, would be at a level where this could be done. I think to get back to your question, Congressman Short, whether the program will work: We hope it will, and you will conclude it will if you pass it.

Mr. SHORT. The only thing I was getting at is we do not quite know what the degree of participation in the program is going to be. You know what you hope it will be, but until we do know that, we do not know what the price of corn is going to be in the market.

Secretary FREEMAN. I think your question is proper. There are infinite varieties of hypothetical questions and suppositions and possibilities that might be posed. I am sure there are some that I cannot answer in this area. But if we start with the assumption that the program works along the lines we indicate, why, we would be able to perform accordingly. If it does not work, I trust you will decide that and you will not pass the bill.

Mr. POAGE. I believe all the members of the subcommittee have had an opportunity to ask questions.

Mr. HARVEY, we are glad to have you and delighted to have you ask questions, sir.

Mr. HARVEY. Thank you, sir.

I want to congratulate the Secretary on the dispatch with which he has approached this problem of feed grain and the surplus that exists. Most of the questions that I had in mind have already been asked, and I think a very fine job has been done on both sides.

There are two or three things that I would like to ask that are probably not of great importance, but I do think they ought to be determined, if possible. One is: What attitude have you found (I presume you have contacted) by the soybean association. Have they taken any particular stand concerning this proposed increase in soybean production?

Secretary FREEMAN. Not to my knowledge. There has not been any response from them in connection with it.

Mr. HARVEY. I realize, of course, the program is a 1-year program. I presume you would call it a sort of trial run?

Secretary FREEMAN. Yes, sir.

Mr. HARVEY. And you will find out just what could be done in this area. I do happen to know that, although I am not primarily a soybean producer, myself, I do know a good deal of work has been done by the American Soybean Association in promoting the sale of their product, particularly abroad. I think they have done a very fine job on their own in increasing the foreign demand for their product.

Secretary FREEMAN. Yes, sir; they have.

Mr. HARVEY. They have thereby been able to keep their product out of trouble.

It does seem to me that in this instance, very serious consideration should be given to whether their efforts have been satisfactory and successful enough to expand to the degree that you think this program will produce. I simply offer that as a suggestion.

Secretary FREEMAN. Thank you.

Mr. HARVEY. I think I shall commend you at this stage on a 1-year program in abandoning the idea of including small grains in the program, because it is going to be sort of academic, anyway, I think, if we are able to get the program enacted.

I do think, however, though, Mr. Secretary, that any long-range program will just have to take into consideration the whole feed grain picture on some basis or other.

Secretary FREEMAN. Yes, sir.

Mr. HARVEY. I would like to ask you what plans you have in mind for expanding the export market for our feed grains?

Secretary FREEMAN. I have already conferred with a number of Ambassadors from other countries—Israel, Japan. We organized and I hope stimulated our Foreign Agricultural Service, have appointed a new Director of it who is a career person, who has been in this program for 20-plus years and is highly recommended both in terms of leadership and technical knowledge. We expect to give this a great deal of attention in terms of improving our standards, and providing better enforcement. In connection with various kinds of commodities that are moving abroad, strengthening the intelligence service to the agricultural attachés around the world; funneling better information to the trade paper, and generally effecting a very aggressive program which I hope will result in increased utilization.

Mr. HARVEY. Thank you. I trust that that will be done. I happen to know of my own personal observation that our market, our foreign market, has been hampered to a certain extent because the trades, the various trade operators, who are handlers of these products and ship them abroad have not always put our best foot forward.

Secretary FREEMAN. Correct.

Mr. HARVEY. That has resulted, in many instances, in a bad reputation for our product, and certainly has not helped our export outlet very much.

Secretary FREEMAN. There are new problems, as you would know, too, in mass handling that sometimes result in damage, all of which I think will have to be taken into consideration as we try to have high-quality products for foreign markets.

Mr. HARVEY. Well, I think the Secretary's office is in a position to, not entirely in the area of being a policeman, but certainly in the area of giving a good deal of encouragement and support to the idea of exporting a better product than we have in some instances in the past.

I would like to ask you one final question, Mr. Secretary. That is whether you have any estimate as to the probable participation of the cash grain producer as compared with the grain and livestock grower. The reason I ask that question particularly, historically, we have found that in most of these programs the participation has come largely from the cash grain producer, and to a very much lesser extent from the livestock grower, and yet the livestock grower produces actually about 80 percent of the grain.

What I am getting at is actually saying to you that as much as I know you want participation, I wonder if you are really hopeful that the grain and livestock producer will actually participate?

Secretary FREEMAN. If he does not, we will not have very much success in the program, because he handles most of the grain.

Mr. HARVEY. You have made no actual projection in your thinking?

Secretary FREEMAN. We figure he will participate equally with the commercial person. There will be no difference.

Mr. HARVEY. You think that the program will be attractive enough that your livestock producer will participate in the program?

Secretary FREEMAN. Yes, sir. That is what we hope and believe.

Mr. HARVEY. I think it is certainly going to be a must if the program is to succeed.

Secretary FREEMAN. You are absolutely right.

Mr. POAGE. Mr. Harvey, I had not realized that you had been placed back on the subcommittee. We are delighted to have you back here.

I want to say for the record that I do not know of any man who is more knowledgeable about feed grains than Mr. Harvey, and we are glad to have him back on this committee.

Now, I am going to ask those of you who are not members of the subcommittee but who want to ask questions to so indicate. I shall give you each a chance to ask questions as fast as I can, but I am not going to go around and ask everybody to ask questions just to take up time.

Is there any question on this side?

Mr. HOEVEN. Mr. Chairman?

Mr. POAGE. Mr. Hoeven.

Mr. HOEVEN. Mr. Secretary, I would like to clarify your proposed amendment to section 3 of the bill. Do I understand it to mean that whenever a support price is fixed by the act of 1949, you will not release Commodity Credit corn at less than the support level?

Secretary FREEMAN. Correct.

Mr. HOEVEN. In other words, the phraseology before the proviso in the amendment is just window dressing?

Secretary FREEMAN. It just restates the whole of section 3.

Mr. HOEVEN. Well, what is the necessity of keeping the first sentence in section 3?

Secretary FREEMAN. That really removes the prohibition of sales which previously existed, which was at 105 percent plus cost.

Mr. HOEVEN. The amendment states that, notwithstanding any other provision of law, the Commodity Credit Corporation is authorized to sell any feed grain at market prices during the marketing year of the 1961 crop of such feed grains, provided that the sales of any feed grains shall not be made at a price below the support price which would be in effect, and so forth.

Again, I ask the question, Do you propose to release any of this Commodity Credit Corporation corn below the support level at the time?

Secretary FREEMAN. We could not. That is why, if I understand your question, Congressman Hoeven, the purpose is to put a floor beneath which I could not release it. To wit, this year at \$1.05.

Mr. HOEVEN. I am sure you appreciate the danger involved in releasing CCC grain at the market price, do you not?

What is the corn farmer going to do with a guaranteed price of \$1.20 a bushel?

I am satisfied the farmer is going to put all of his corn in Commodity Credit at \$1.20, and then go out and buy cheap corn and feed it to his livestock. This is bound to result in lower livestock prices.

Secretary FREEMAN. I think not on the last, Congressman. It would not be my judgment. But this all depends upon what, hypothetically, you start with. If we had 100 percent compliance with this program, or let us say, the 70 percent that we project, why, it is going to clear the market at \$1.20. We would try to so manage this that those who do not comply would not get \$1.20; but would get less.

If we had very low compliance, say less than 30 percent, why, we would not be faced with the problem of the complete turnover that you have in mind.

I am not prepared, very honestly, to say exactly how this authority would be exercised. It would depend on the circumstances.

Mr. HOEVEN. Would you have any objection to eliminating that part of the section 3 which relates to releasing the grain at market prices?

Secretary FREEMAN. You mean the part that follows after "*Provided*"?

Mr. HOEVEN. No, before "*Provided*."

Secretary FREEMAN. I shall refer to my legal counsel here, but I think if you did not have that in, why, I would not have the power to release any. Therefore, there would be no power to release any.

Mr. HOEVEN. What I am afraid of is that you may release some of the corn below the support level. Doing so would create a serious problem.

Secretary FREEMAN. I hope it will not. We shall try to manage so that it does not.

Mr. HOEVEN. One other question on the other proposed amendment. In the revised section of the first paragraph 2, section 2, you would strike the last clause in present section 2. Would not this still permit what we call back-door spending?

Secretary FREEMAN. No, sir; this would apply only—

Mr. HOEVEN. How does your amendment differ from the provision in the original bill?

Secretary FREEMAN. Because this would make it possible for us to use payments in kind if there should be a compliance greater than we have estimated. We might; therefore, it would give us a bit more flexibility, but no more cash.

Mr. HOEVEN. You would still permit back-door spending to the tune of \$500 million; would you not?

Secretary FREEMAN. No, sir. The \$500 million would go before the Congress as an appropriation to the agricultural conservation program. This would be a conservation program and administered as such.

Mr. HOEVEN. I have been rather puzzled about the provision.

Secretary FREEMAN. Maybe the language could be improved on, Congressman, but what is meant there is there is a limit of cash payment of \$500 million, period. This would be appropriated to ACP for conservation, period. There then would be discretion in the event that our estimates proved too conservative, and there was a greater compliance, and we might have to make some payments. If we had to make more than \$500 million, we would make them in kind. We would have accomplished our initial purpose of clearing a given amount.

Mr. HOEVEN. This would be channeled through the Appropriations Committee in the regular order.

Secretary FREEMAN. In this instance, the payment in kind would not. The payment in kind would be authorized here for the Secretary to make after the \$500 million that was directly appropriated. I think that is within the scope and purpose of the Commodity Credit Corporation charter.

Mr. POAGE. Are there any further questions?

Mr. McINTIRE. Yes, Mr. Chairman.

Mr. POAGE. Mr. McINTIRE.

Mr. McINTIRE. Mr. Secretary, could I carry that point one step further? You say this \$500 million would be appropriated as an ACP?

Secretary FREEMAN. Yes, sir; as a part of the ACP.

Mr. McINTIRE. Would the full appropriation in the ACP program be committed to the feed grain program?

Secretary FREEMAN. This would be a special appropriation for this purpose. The question of the agricultural conservation program itself and its normal, ongoing program is separate and apart from this, although administratively, we have been reviewing some of its facets where there might be a coordination. But this would be in addition.

The Congress last year appropriated \$250 million for ACP, and if this program went through, this year, they would appropriate \$750 million.

Mr. McINTIRE. Then it is not ACP, it is an appropriation for the diversion of acreage in the feed grain program?

Secretary FREEMAN. It is ACP in the sense that it would be administered by the ASC State and county committees in the same manner as ACP.

Mr. McINTIRE. But you mentioned earlier that there would be no practices payments on these acres that are taken out by this legislation.

Secretary FREEMAN. That is correct, but the standard that would be passed upon according to ACP experience of what constitutes adequate cover crop and care for the land would be applied.

Mr. McINTIRE. But no payments for practices?

Secretary FREEMAN. No, sir.

Mr. McINTIRE. Now, I am a little concerned about your statements relative to this matter of where the market price is going to be. If I recall correctly, you stated that that volume of grain necessary to be moved to offset your cash payments under the second 20 percent participation would be made at market price. Am I correct on that?

Secretary FREEMAN. Yes.

Mr. McINTIRE. Where is your authority to move presently encumbered grain at market price?

Secretary FREEMAN. It is in the bill.

Mr. LATTI. Line 17, page 3.

Mr. McINTIRE. But other grains—line 17, page 3?

Mr. LATTI. Yes.

Mr. McINTIRE. Then you would have two rules to follow, would you not, Mr. Secretary? That grain moving out of CCC stocks could not move at market price except that portion which was established to be compensatory to the cash payments program?

Secretary FREEMAN. Correct.

Mr. McINTIRE. Well, now, what——

Secretary FREEMAN. For this purpose.

Mr. McINTIRE. What does this do to your market price structure?

Secretary FREEMAN. It would not do anything to it, because you are going to be putting in and taking out at the same time.

Mr. McINTIRE. Well, you are putting into CCC—I shall reverse this to keep it on a market price concept. You are putting into CCC at \$1.20?

Secretary FREEMAN. Yes.

Mr. McINTIRE. Now you say you take this amount out at market price. What is going to be the effect of uncertainty in the marketplace as to what is a market price if there lies constantly an unknown quantity which can be moved out at market price? How is a market going to respond or how would one know when you are going to move a supply and how much of a quantity you are going to move? Are you not defeating the very proposal that you are putting in here, which would presume to tell the marketplace that you do not propose to move it out at market price? How do you have both sides of this and have a market?

Then I am referring particularly to the very important function of commodity trading in feed grains and the very vital part it plays in enabling the feed manufacturer to set prices 30 days in advance, a normal price-setting procedure for feed manufacturers. How is anybody going to go onto the market purchasing corn futures, a function which is not speculation but a hedge against prices which he has indicated on the price sheet he is offering to the consumer? How is the manufacturer going to make price appraisals and estimates when you are providing a vehicle here which is going to move corn into the market at your discretion, both as to time and price?

Secretary FREEMAN. Well, this is a power to handle this which will have to be administered with care and discretion, and in cooperation with the normal market facilities in connection with it. I would only say that the response to this in payments in kind will not be as great as payment in cash. The amount involved will probably be relatively minor.

No. 2, if this factor of the mechanics of working this out creates the degree of uncertainty to which you refer, we would review administratively actually depositing this corn.

But if you deposit the corn, it is going to go back on the market anyway, and what you are really saying is do not ever have a program for payments-in-kind, because you are going to disturb the market.

Mr. McINTIRE. No; I am not. I am merely trying to resolve in my own mind whether there is to be left any function of a free market. That is what I am getting at.

Now, I do not care whether you are offering 100,000 bushels or a million bushels, the volume, no matter what its nature, will have an effect on the market price. Your viewpoint is, it seems to me, within the framework of that of those who argue that a little bit of imports do not materially affect the marketplace because only a small part of the market is affected. Well, any supply affects the market, whether it is in volume or whether it is in limited quantity. You can absorb it quicker if it is smaller, but when it is offered, it is going to affect the price structure, either in a limited or great degree.

Secretary FREEMAN. Well, this may very well happen, and this is something, as I have said three or four times, that I do not think you can give a categorical answer to. I am conscious of this problem.

Mr. MCINTIRE. Well, those of us who are in a deficit grain area, when we sit here and pass on this bill, we have to, in our own minds, seek an answer to this, because we are concerned about what the situation in the marketplace is going to be. This is what we are paying money for every second of the day, the dynamics operating in the marketplace.

Secretary FREEMAN. Dr. Cochrane indicates that he has a comment to make on this, and I can assure you, he is much more of an expert than I am.

Mr. COCHRANE. I think there are two different aspects here. One is the payment-in-kind provision on page 3, beginning about line 10, and then there is the provision here on page 4, section 3.

Now, I do not see how the provisions on page 3 with regard to payment in kind create uncertainty. Whether the producer actually comes to a storage place and hauls the grain away and takes it to his own particular bin and then sells it, or whether he takes a certificate and then, to redeem this certificate, we sell that amount of grain to get the cash to pay for it is within a cent or two identical.

Over on the last page, there is some degree of uncertainty although the Secretary's suggested revision here of this section 3 takes some of that uncertainty out, in that it limits the amount below which the market price could not go, namely, \$1.05. It limits the range at which the Government could sell stocks and reduce the price; thus some uncertainty has been removed. If the goal is to remove uncertainty, that goal has, to some degree, been reached.

However, it was our hope in putting in this provision that some of the uncertainty here would be what would bring people into compliance. To the extent that we get 70 percent compliance, then we shall get a reduction in total quantity which will move corn to the market at or about \$1.20. But I do not see that uncertainty is introduced with regard to section 2 on page 3 by this particular mechanic. It just eases the situation of the farmer and the Government, in that the farmer can take the certificate as opposed to doing the physical work of going and getting the grain and hauling it to his own bin. And we release the equal amount of cash and maybe at some distant place, this same amount of grain, get the cash, and pay him.

Now, it is true, there might be 1 or 2 cents spread here and there which could be, possibly, a gain or a loss. But I do not think any uncertainty is introduced by this provision for the mechanics of dealing with payments in kind on page 3, section 2.

Mr. MCINTIRE. Well, the amount of influence that this particular vehicle has in the marketplace is going to depend to a large extent on the volume of participation that you get, either in payment in kind or in redeeming the cash certificate.

Now, we have never tested in the marketplace the payment-in-kind principle.

Mr. COCHRANE. No, sir.

Mr. MCINTIRE. There has been some of this function in the acreage retirement program, but it has been so very nominal that there is no history of how much you affect the marketplace with this type of vehicle.

Secretary FREEMAN. I think this is correct, and this might, I might say respectfully, come down to the question of the use of payments in kind. There is going to be uncertainty to the extent that you put that much back into the market through the medium of payment in kind.

If you give the farmer the corn and he sells it, or you give the farmer the cash and the Commodity Credit Corporation releases the corn, then the net result on the market will be exactly the same; and I think fundamentally, Congressman, you are asking the question whether payment in kind is going to create uncertainty in the marketplace and disturb the grain trade and the futures market. We do not think so, but in relation to the whole concept, why—

Mr. McINTIRE. But the more participation you get, the more unsettling it is going to be?

Secretary FREEMAN. I expect the more payment in kind you get, the more unsettled the market could get.

Mr. McINTIRE. And to this extent, the greater participation you get under this legislation in the second phase of your retirement program, then the more constant influence the stock market is going to have, and the less constructive influence the futures market can have.

Secretary FREEMAN. Is that correct, Mr. Cochrane?

Mr. COCHRANE. If we know what the payment time in the participation in the payments-in-kind program is going to be, the market can do just what the economists can do, that is figure out how many acres are going to be removed as a basis of payment in kind and how much stocks are going to be placed on the market in payment, and I believe the market can do a very accurate job of judging what the counterbalancing effects are of the acres removed from the payment-in-kind, plus the return to the market of the two-thirds of the yield in payment-in-kind.

The uncertainty is now related to the fact we have no idea how many farmers will avail themselves of this feature. But once the signup has been made, I think that thereafter, the market can do a very good job of estimating the amount that would be taken out in terms of the acres removed and the amount which will be moved in as payment-in-kind.

Mr. McINTIRE. Let me ask one further question, and Mr. Secretary, I shall ask it of Dr. Cochrane. I am not an economist.

Secretary FREEMAN. Thank you; neither am I.

Mr. COCHRANE. Sometimes I wish I were not.

Mr. McINTIRE. I might make the observation that sometimes the economists and the marketplace do not necessarily agree.

But I would gather that the primary objective of this deal is to raise the price of the feed grains to the feed grains producer.

Secretary FREEMAN. Plus—income to the feed grain producers, plus make it unnecessary for the Government to take on 500 or 600 or 700 million more bushels at a cost of \$1.5 billion.

Mr. McINTIRE. Then the primary objective of this legislation, if it goes the way you hope it will go, is to raise the price of feed grains.

Mr. COCHRANE. To around \$1.20 for corn.

Mr. McINTIRE. Now, as a user of feed grains, how do we answer on the cost of grain?

Mr. COCHRANE. I would like to answer that.

Mr. McINTIRE. I would like to have an answer.

Mr. COCHRANE. The individual producer always visualizes it as if the price of the thing he is going to produce remains the same and his input prices or his feed grain prices increase. As an individual, this is the only way he can look at it.

But there is an aggregate effect just because each individual looks at it this way; some of them decide to reduce their particular production of poultry or hogs or whatever it is. The effect of the increased feed grain price, the individual producer reasons, is to cut his net return. The aggregate effect is that some are going to produce less of their own product, poultry or hogs.

Mr. McINTIRE. By virtue of the price of grain going up—

Mr. COCHRANE. Then the price of their product goes up. This is what we mean that when the price of corn goes up, you get less total hogs produced and the price of hogs goes up.

Mr. McINTIRE. Let us put it this way, Dr. Cochrane. As far as the feed grain producer is concerned, he is to get some vehicle by which, through acreage retirement and payment for it, he can make an economic adjustment through a higher level of prices for feed grain. But the user of this feed grain, recognizing that the price is going up—

Mr. COCHRANE. Of his product.

Mr. McINTIRE. Of the feed grain.

Mr. COCHRANE. Yes.

Mr. McINTIRE. Then the producer using this feed grain which is costing him more is going to make the adjustment by cutting back on the production of his product.

Mr. COCHRANE. I still have a good answer for you, sir. All of them make this adjustment, and that is where we come to the effect of the inelasticity of demand of the pork and poultry products. When somewhat less of these products are put on the market, the price rise is proportionately greater than the cut in the supply of these products, and the gross return to hog producers or poultry producers is increased.

Mr. McINTIRE. But let me ask you on that point. What are the forces at play which are going to result in less production on poultry and meat?

Mr. COCHRANE. Well, to—

Mr. McINTIRE. There is a price in the marketplace and a cost.

Mr. COCHRANE. I shall just repeat this without saying whether it is good or bad. The effect of the raised increased feed prices is to cause some hog producers, which is where the real corn price effect is going to be, to produce somewhat less. And the reduced hog production that comes on the market will be less than the price rise, proportionately so that the gross return to all hog producers will be increased.

Mr. McINTIRE. Mr. Chairman, I do not want to take more time; I have taken too much already.

Mr. POAGE. Very well.

Mr. Beermann?

Mr. BEERMANN. Mr. Secretary, I appreciate your position. I am an operating farmer, with five brothers. You have an operation with someone else.

I would like to ask a question: Are we to understand that the Secretary is establishing the price of soybeans at \$2.30.

Secretary FREEMAN. It has not been established as of now. This is at present my intention, to so establish it.

Mr. BEERMANN. Thank you.

Now, corn is \$1.06 and it is in trouble. Soybeans are \$1.85 and they are not in trouble. I fail to understand how raising the price of soybeans to \$2.30 and eventually asking me to grow soybeans, which I do not now, and then eventually asking the Government to buy my soybeans, is going to be a solution of our problem.

Secretary FREEMAN. I would only answer that by saying that although the support price is as you represented it, the market price is now about \$2.47, and, as I have tried to indicate before, the best estimates we make are that there will be a stronger demand for soybeans and a greater need for them than there will be for feed grains.

Mr. BEERMANN. Thank you.

The soybean market price is presently strong because of industry promotion and grower ability to produce for a consuming market at a fair price, with a minimum of Government intervention. This is not so with the other feed grains. I do not think that two wrongs make a right. I would not like to see us get soybeans in the same position as feed grains.

I will say here that I do not know how to run your farm; I do not suppose that you know how to run mine, and I do not believe it is within the jurisdiction of this group of people to tell us how to run our farms, which is what is taking place by establishing market prices. I would like to offer for your consideration in all future legislation that when you submit these things, I am asking it simply from a farmer's standpoint, that you do it on the basis of having less Government in farm business instead of more.

I thank you.

Secretary FREEMAN. Thank you.

Mr. POAGE. Thank you.

Anybody else?

Mr. LANGEN?

Mr. LANGEN. Thank you, Mr. Chairman.

Mr. Secretary, I should be remiss were I not at the outset to express my compliments to you in that so many of the principles contained in your proposal I have had occasion to propose to Congress more than a year ago. However, the comments I want to refer to at the moment probably lead into a field a little different than has been covered up to this point.

As you know, Mr. Secretary, I live up in the Red River Valley in the very northern end of it, the very productive area, but an area that does not lend itself to the production of corn or grain sorghums, or soybeans.

Consequently, the legislation as proposed in a big volume of farms there is going to deal with the three crops of oats, rye, and barley. I realize that the figures on the chart here and so on would possibly be somewhat comparable were it applied to those same crops.

I think, however, first of all, that there is one substitution that comes into the scene, and that is the production of flax, because flax ordinarily, in that area, would replace the soybeans that you are talking about here.

Now, have you given any thought to the part that flax might play in a conversion of these crops and whether or not there is a relationship between flax and soybeans, both pricewise and quantitywise?

Secretary FREEMAN. Yes, we have given some consideration to that.

Mr. LANGEN. And in your estimation, would there seem to be—would it seem to be a desirable thought that we might increase the support price of flax along with soybeans, or not?

Secretary FREEMAN. Very frankly, this matter is being reviewed at this time and I am asking for a report on it, so I am not sufficiently informed to answer the question. But we shall pursue it even more diligently and will answer you directly in connection with your question.

(The following statement was submitted to be inserted in the record at this point:)

Linseed oil and soybean oil are somewhat competitive for industrial uses. Linseed meal and soybean meal are similarly competitive for certain kinds of livestock feed. Soybean oil is largely used for food purposes, whereas no linseed oil is used for food products in the United States.

Mr. LANGEN. Well, I raised the question because there is a big productive area up in our country—I think it goes into North Dakota too—in which that would be a really pertinent question.

Secretary FREEMAN. I think this goes, Mr. Langen, into the permanent program, because there seems to be a consensus here that this should not apply to barley and oats at this time. Since corn is not grown in the Red River Valley to any extent, it would not particularly apply in this emergency program. But in an effort to bring about a diversion of feed grains into other things that might be at a greater level of need, we shall certainly give this question every consideration.

Mr. LANGEN. I am appreciative of that. I am, by the same token, very much concerned that were these three crops to be left out, that we have a volume of farmers who are dependent upon the production of those crops for their livelihood, too, and consequently, I am thinking about their future. Were they to be left out of this bill, then I suppose I am to assume that as far as those three crops are concerned, and as far as those farmers are concerned, they are left out of any consideration at this point.

Secretary FREEMAN. No, No. 1, in the bill as I have recommended it, they were included. I have left it up to this committee to determine whether they should or should not be.

No. 2, so far as the total market for feed grains is concerned, they would be affected by the strengthening of the price of the total market.

So I think they would benefit from the program even though they were not in it. As far as we are concerned, the practical differences that have been pointed out that some parts of the country are already planted—the administrative difficulty we are prepared to try to handle. We shall leave that to the judgment of this committee.

Mr. LANGEN. One more point along the same line, and I think that this is pertinent to this type of legislation, remembering that I have recommended very much the same.

In the crops of oats, barley, and rye, of which I have designated that we have a number of farms where that is their major feed grain crop, it is well to note, and I have documented this and supplied the Secre-

tary's Office with a copy, the American farmer has not produced one single bushel of surplus in any of those three crops, and the imports have far exceeded the amounts to which the surpluses have grown in those crops during the past 12 years. As I say, it has been documented; we have forwarded to you a copy.

Now, then, if we do not pay any regard to the part that may be played by imports in those three particular crops, and the fear that these farm folks up in my area would have, would be that if, as you say, the effect of this would have the tendency to raise the price and there would still be somewhat of a comparable result, what assurance do these farm folks have that imports are not going to increase by virtue of the increased price, and consequently, they are going to wind up with a smaller amount of their own market within the United States than what they already have?

Secretary FREEMAN. I would only answer that by saying we are conscious of this problem and appreciate your informing us in connection with it.

Secondly, this is a 1-year program that would go into effect immediately, and I think that the response of imports to it would not be that instantaneous in any event.

Mr. LANGEN. Well, I should have to at least make this observation and not pass it off quite as lightly as that. Inasmuch as it has been recommended here, may I point out to the Secretary that in rye, for instance, which is not a big crop—at the same time, it is important to a lot of people—that imports have exceeded the growth in surplus by 10 times. We have imported 10 times as much as the growth of surplus in that particular crop during the past 12 years. So it is not an inconsequential thing.

Secretary FREEMAN. I realize that.

Mr. LANGEN. Remember that we have then piled up those bushels, and we are taking the taxpayers' dollar with which to pay storage on them, and the farmer in turn is being deprived of a market that might otherwise have existed for his crop. So I should not pass it off quite that lightly.

By the same token, I am hesitant in saying to the farmer in my area, "Now, you had better reduce the production of these particular crops, because we have got too much of them," when actually, he has not been responsible for the production of the surplus. I think we are making quite a request of him in the light of that, without at the same time giving him some assurance that we are thoughtful and cognizant of the part that has been played by imports in the whole thing.

To that degree, I think it ought to be recognized, I think it is significant, not only to the producers of those crops, but to the taxpayer and the consumer likewise, because it is important to all of us.

Secretary FREEMAN. I shall only say, Congressman Langen, I do not pass it off lightly. I recognize this as a very real problem.

Mr. POAGE. I wonder if we could not ask you, Mr. Langen, if you would appear before the Ways and Means Committee and discuss it with them. They have jurisdiction over it; we do not have. We have no jurisdiction over importation. That committee does. It is a matter of jurisdiction. It is something we have no power over.

We recognize the problem just as you do. I hope you will go before that committee which has jurisdiction.

Mr. LANGEN. Mr. Chairman, if I may say so, I should be happy and pleased to appear before any committee which will consider the matter.

Mr. POAGE. All this committee can do is consider it; it cannot act.

Mr. LANGEN. I bring it up here because of its relationship to the agricultural problem. It would certainly seem to me that the Agriculture Committee, as such, would have a concern in the matter.

Mr. POAGE. We are concerned and we are glad to have your statement.

Mr. LANGEN. It seemed to me the Agriculture Committee might want to make a recommendation in that behalf.

Mr. POAGE. This committee does not make recommendations to other committees. This committee has enough problems of its own, and we shall not make recommendations to other committees.

As Members of Congress, each of us has a right to go before the Ways and Means Committee and discuss the matter. They have jurisdiction; this committee does not. We do not claim it, we could not exercise such jurisdiction if we wanted to. We recognize these imports are a problem, and we have no prejudice against bringing it into this discussion. I am just hoping you will go before the proper committee and present your views, because it is important and at the same time it is not something concerning which this committee can give any relief.

Mr. LANGEN. Mr. Chairman, I do not want to prolong this discussion and I do not think I should. I do not have the information before me. But if my memory serves me correctly, I believe the present law states, "For authorizing authority in this field by the recommendation of the Secretary of Agriculture." I think the law so reads.

Mr. POAGE. But this committee has no jurisdiction over that.

Mr. HEIMBURGER. That would be the Tariff Committee.

Mr. POAGE. Yes, that involves the tariff laws and not the agricultural laws, unfortunately.

I did not mean to cut you off, Mr. Langen.

Mr. LANGEN. I yield to Mr. Nelsen.

Mr. NELSEN. Mr. Secretary, I think it is obvious that you have been "burning the midnight oil" to prepare for this meeting. You have presented your case very well, and I want to make the comment that as nearly as I can tell from the proposals that have been submitted, there is certainly a meeting of minds, and we are much nearer an agreement than I have ever seen in the things that have been prepared for Congress.

I would like to comment on one of the questions that Congressman Quie made on the payment in kind, and the second 20 percent.

It has been our contention, those of us who live in the livestock farmer area, that the payment in kind is an incentive to encourage the farmer to stay on the farm, because the farmer that must sell his livestock to reduce acreage is reluctant to do so. If he can replace the feed that he would have raised out of surplus, he would be encouraged to keep his unit and his gross dollar income would remain the same.

So I want to point out that we have, we think, about 156 million acres that are producing crops that remain on the farm; as nearly as I can tell, about 189 million acres that produce cash crops.

So I want to add my little bit to the hearing today and to thank you for appearing before our committee.

Secretary FREEMAN. Thank you, sir.

(The following letter was also submitted by Mr. Nelsen to the subcommittee:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., February 24, 1961.

Hon. W. R. POAGE,
House of Representatives, Washington, D.C.

DEAR MR. POAGE: The farm problem has been a topic for discussion for many years. The battleground shifts from one area to another and for many years the great issue was, What should the support level be? Should it be fixed or flexible? We have discussed wheat programs, corn programs, cotton programs. You name it. We've had them all.

Finally there seems to be an agreement and a realization that dealing in commodities will never solve the total problem. We have attempted to solve a problem in cotton only to find one develop in corn. We then direct our attention to corn and perhaps it breaks out with too many soybeans and so on.

It is crystal clear that in order to restore prices we must reduce surpluses. In order that surpluses be reduced, we must reduce the tillable acres, adjusting them to total demand. A fair price should then be the result.

The farm program that has been proposed by the Kennedy administration places emphasis on a reduction of tillable acres, which is a proper and necessary step. The Secretary of Agriculture, Mr. Freeman, in his presentation endorsed the emphasis on reduced acres and on several occasions he said that he would be guided by suggestions from the Congress and that he would welcome constructive criticism if it would assist in the overall picture. Therefore, I would like to make a few suggestions from the point of view of a practical farmer of a diversified Minnesota farm.

The big question is, How do we get participation in land retirement? A year ago, I made a careful check as to what proportion of the farms in America participated in commodity loans or cash crop sales. Our best research indicated that we have about 338 million acres of crop-producing land. Of this amount, 156 million acres produced crops that stay on the farm, leaving 182 million acres in the cash-crop class.

This breakdown produces this picture: 182 million acres operated by producers who would look at the attraction of high supports. These producers would be encouraged to participate because of the support levels. The other group of producers, operating 156 million acres, are not as concerned with support levels because they do not sell feed grains into the market. They feed all of the grain they produce to livestock on their farm.

The total success of any land-retirement program cannot be achieved with just the 182-million-acre group participating. The 156-million-acre group must be encouraged to cooperate if adequate acres are to be taken out of production. The 156-million-acre group will not find cash an incentive because they need all the feed their farm will produce. They would, however, be encouraged by getting feed stock out of Commodity Credit surplus because in this way their normal livestock program can continue and their same crop returns can be realized. Therefore, I would like to suggest that payment in kind on a liberal basis, such as I proposed in H.R. 1063, be made optional up to a certain amount on not only the second 20 percent, but also the first 20 percent of acreage taken out of production. Provisions must be included in regulations that would protect the Government against a merry-go-round of resale into the market for those who participate in the payment in kind.

While the Kennedy proposal which permits Commodity Credit to sell in the open market at less than support level (in this case, \$1.20 per bushel, or 74 percent of parity) is, of course, intended to force participation in the program, the result would most certainly be the sale of all grain to the Government. When it is released on the market by Commodity Credit, it would destroy a competitive market with disastrous results.

I therefore suggest retention of present provisions forbidding resale until 105 percent of the support price has been reached, so as to prevent any tendency to unload on the Government and buy at a lower price in the marketplace. I am sure no one wants to destroy the competitive market and our free enterprise system.

I believe that a good sales job on the part of the President and the Secretary of Agriculture, calling attention to the liberal payments in retired acres, making more liberal the payment-in-kind provisions, would create the participation that we need and a great deal of help will come from the livestock farm in the 156-million-acre group. This group has not participated to a great extent in various proposals that have been in effect. An attractive program that would encourage their participation could well be the necessary boost that would result in the land retirement that would make the program a success.

Sincerely yours,

ANCHER NELSEN,
Member of Congress.

Mr. HAGEN. Mr. Chairman, I would like to ask one question.

Mr. POAGE. Mr. Hagen.

Mr. HAGEN. What is the rate of payment on this payment-in-kind certificate if the man takes cash? You pay him at the then market price of this commodity, or what is the rate of payment?

Secretary FREEMAN. It would be two-thirds of the support price.

Mr. HAGEN. No; he would get a quantity of grain.

Secretary FREEMAN. Yes; based upon two-thirds of the support price.

Mr. HAGEN. If he takes cash, you have to set a value on his bushel. What would be the rate?

Secretary FREEMAN. The same thing, two-thirds of the support price. You would pay him in corn or pay him in cash; it would be the same thing.

Mr. HAGEN. This is in relation to the support price, not market price?

Secretary FREEMAN. Right.

Mr. HAGEN. In relation to what Mr. McIntire was talking about, if he took his bushel, that would be 1 bushel, but it is conceivable that Uncle Sam might have to go on the market and sell 3 or 4 bushels to get the same amount of money back.

Secretary FREEMAN. Well, this is the element of uncertainty that exists in the question of payment-in-kind which has not been tried, and about which there seems to be some differences of opinion.

I will say honestly, I tried to think—I will say to you frankly—I tried to think of every question you might ask me, but Mr. McIntire gave me a lot of trouble up there. I did not get into that one. I have heard payment-in-kind discussed, but never in terms of the fact that it would disrupt the marketplace and the grain trade, and I did not know about that one and I want to think about it.

Mr. POAGE. Are there any further questions?

If not, we are deeply appreciative to you, Mr. Secretary, and your associates for coming down here and giving us a statement. I believe it is going to give us a basis for a whole lot of information on which to proceed. While we are going to have 1 more day of hearings, we need some time to discuss the problem within the committee itself.

I want to announce now that tomorrow we shall hear the National Farmers Union, the Grange, the American Farm Bureau Federation, the Missouri Farmers Organization, and Mr. Quie's constituents.

I think we have to limit these hearings. Is there anybody now who wants to be heard tomorrow?

Mr. COAD. I would like to reserve——

Mr. POAGE. You cannot reserve time unless you have somebody you want to reserve it for.

Mr. COAD. I wish to reserve it for the National Farmers Organization.

Mr. POAGE. That means we are going to have to run both tomorrow morning and tomorrow afternoon. I do not see any other way of doing it.

We shall hear in this order in the morning, first, Mr. Roy Battles, from the National Grange; Mr. Reuben Johnson, of the National Farmers Union; Mr. Charles Shuman, of the American Farm Bureau Federation; and Mr. Fred Heinkel, of the Missouri Farmers Organization.

One more thing before we adjourn. There have been some press representatives here who have wanted to take some pictures of the Secretary for some time. I trust he and his staff will not have any objection to it. The rules of the committee do not allow the taking of pictures during a hearing.

The subcommittee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:35 p.m., the subcommittee took a recess, to reconvene Wednesday, February 22, 1961, at 10 a.m.)



EMERGENCY FEED GRAIN PROGRAM

WEDNESDAY, FEBRUARY 22, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND FEED GRAINS
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10:10 a.m., pursuant to recess, in room 1310, New House Office Building, the Honorable W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Cooley, Poage, Jennings, Matthews, Coad, Hoeven, Dague, Quie, Short, Mrs. May and Latta.

Also present: Representatives Cannon, Albert, Harding, Hagen, Johnson of Wisconsin, Stubblefield, McIntire, Harvey, Findley, Teague, Dole, Beermann, Reifel, and Smith of Iowa.

Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John Heimburger, counsel; and Francis M. LeMay, staff member.

Mr. POAGE. The subcommittee will please come to order.

This is a continuation of the hearings of yesterday on H.R. 4510. The order of yesterday was that Mr. Battles was to be our next witness.

You are prepared?

Mr. BATTLES. I am.

Mr. POAGE. We will be glad to hear you.

STATEMENT OF ROY BATTLES, ASSISTANT TO THE MASTER, THE NATIONAL GRANGE, ACCOMPANIED BY FRED BAILEY

Mr. BATTLES. I wonder if I may bring Mr. Fred Bailey of our staff to help me out?

Mr. POAGE. You may.

Mr. BATTLES. Mr. Chairman, and gentlemen of the committee, the Grange is grateful for this opportunity to counsel with you this morning and to bring to you our viewpoints on the President's proposed feed grains program.

Mr. Herschel Newsom, master of the National Grange, wanted much to be with you this morning. He had a prior commitment, however, in the Pacific Northwest, up in Mrs. May's country, and was unable to break his commitment, and so he has asked me to come and bring our thinking to the committee.

There is one point, Mr. Chairman, upon which I am sure there can be complete agreement. It is this: If there is to be any action taken to affect this year's corn and feed grain crops, it must be taken promptly, as planting time is almost upon us. Farmers need to know quickly whether there are to be any changes in this year's program, and what those changes will be.

Even if legislation were enacted today, U.S. Department of Agriculture officials would be faced with a very difficult task at best to develop the administrative details of the program and to get the information to the farmers before planting time. We wish to emphasize, therefore, the urgency and the need for the Congress to do everything possible to expedite action.

The problem of corn and feed grains has, for a number of years, been one of the major problems of agriculture. It has grown more acute each year. I know that it is not necessary to review at any length for this committee the facts concerning the production and supply of corn and other feed grains. I think that the realization is widespread that we are confronted with a very serious problem which will require emergency treatment if action is to be taken in time to affect this year's crop.

Total supplies of feed grains, as was reviewed yesterday have set a new record high for the 7th straight year. Even though there has been substantial increase in utilization in recent years, utilization has constantly fallen below production, and carryover stocks have more than trebled from 20 million tons in 1952 to 75 million tons this past year.

Total carryover is now almost half our total annual feed grain requirements for domestic use and for exports—and a substantial part of our exports represent, as you know, disposals under Public Law 480 and sales with assistance through subsidies. It has been estimated by the Department of Agriculture that there will be a further addition to carryover stocks of 5 to 10 percent over the 75 million tons carried over this year if the present program is continued.

Concurrently with the constant buildup in production and stocks in recent years, there has been a constant lowering of the price support level. The price support level has been lowered from \$1.62 per bushel for cooperators in 1954 to \$1.06 to all producers in 1960. This progressive lowering of the support level has not served to reduce acreage or to stop the buildup in stocks.

We find ourselves in substantial agreement with the following statement contained in the President's letter to the Speaker of the House requesting emergency feed grain legislation:

The existing program has failed. It has resulted in the accumulation of a burdensome and dangerous surplus, mainly of commodities for which there is no adequate outlet even under our expanded programs of providing food for those in need. At the same time, it has failed to protect farm income, and it is threatening to drive down the prices farmers receive for hogs, cattle, poultry and eggs, and milk to disastrous levels. If this program is allowed to continue in effect, this year's crop, the stocks in Government hands, will reach even more alarming proportions, a virtually unmanageable storage problem will be created, farm income will continue to suffer, and large amounts of Government funds will be needlessly expended. Immediate action is required to prevent further deterioration of this situation. In order to be effective with respect to this year's crops, a new program should be authorized by March 1.

We believe that corrective action is long overdue. As much as we might prefer a measure which would be designed to provide a more permanent solution to the feed grain problem, we recognize that in view of the time element involved, whatever action is taken must be of an emergency character and directed to the 1961 crop. Furthermore, whatever action is taken must be kept relatively simple

if we are to expect farmers to understand it and accept it between now and planting time.

The emergency measure submitted by the President upon recommendation of the Secretary of Agriculture seems to us to be designed to stop the buildup in stocks without further impairing farm income plus the advantages to farmers and the country as a whole of diverting additional areas of cropland to conservation uses.

If successful, it would stop and reverse the present trend of producing more and more for less and less and constantly adding to the surplus. It will reverse the concept that you can restore or achieve a balance by simply driving down the price or income to producers to a point where you will get the necessary adjustments.

Although the Grange recognizes that many of the details of the proposed measure will necessarily have to be provided by administrative action, the measure seems to us to encompass fundamental principles which we believe to be sound and constructive. We believe it may also provide a starting point or a base upon which to build a permanent solution to the feed grain problem.

This measure has the same objective as and encompasses many of the principles of the feed grain program which was developed by the feed grains committee of the National Grange and which we presented to this committee in 1958.

You will recall, Mr. Chairman, that we presented that program to you in testimony at that time. We merely mention this similarity between the program developed by the National Grange committee and the proposed 1961 emergency program as further evidence of our belief in the soundness of the principles embodied in the proposed emergency program.

At that time, in 1958, the supply and carryover had not reached the critical proportions which now exist, but we were producing more than we were using and constantly adding to the stocks. Stocks were then twice as large as we believed were needed to provide an adequate carryover. We recognized the need then, which is even greater today, to bring feed grain production into balance with requirements and at the same time gradually reduce the excessive supplies already on hand without further depressing farm income.

Our problem is the same today as it was then except that it is more acute and more difficult. The basic principles employed in the proposed program are similar to and in harmony with many of the recommendations which the Grange made in 1958, including a 20-percent reduction in feed grain acreage, the transfer of such acreage to a conservation use where it could not be utilized for harvest or pasture, a payment in negotiable certificates half redeemable in stocks and half in cash, and the stabilizing of the level of price supports with no price support being available to any noncooperating producer.

We mention this similarity between the program developed by the Grange Feed Grains Committee and the proposed 1961 emergency program as further evidence of our belief in the soundness of the principles embodied in the proposed emergency program.

We want to commend the Secretary of Agriculture for his efforts to put a feed grain program into operation for the 1961 crop, and the committee for its prompt consideration of this proposal.

In summary, we feel that the feed grains program is our most important problem in agriculture. We have a half-year carryover supply on hand and this is far more, probably twice as much as we need. It is urgent that we handle this problem quickly. It is one of the hardest to handle. There is no question about that.

It is imperative that we solve it. We cannot afford to fail on this one. It is apparent that the so-called squeezeout process of lower and lower prices to attain the balance is not a satisfactory answer to this problem. This program is a crash 1-year program, and rightly so. It is voluntary. It gives us time to work on a more permanent answer.

We hope the incentives are adequate to induce cooperation. They have just got to be adequate to do that. We think maybe they are. The incentives must be such that it will be unprofitable for one not to cooperate on the land.

This program, we feel, will get about the same income per acre—I will change that. This program will bring about the same income to a farmer in the feed grain production as the old program at \$1.06—probably some additional income.

There is the added advantage to the farmer that he will have this land in conservation use, that is, the land that is retired; and this is an asset; also, to the country.

We think that farmers will want to do their part to cut the carryover, which is a national problem as well as a farm problem; and that by cooperating with the program we will insure ourselves against the possibility of further buildups.

This is the first time in our observation, too, that a price support has not been a market level aim; in other words, the price support level this time is not necessarily the market level aim.

The program, we feel, will not interfere materially, if at all, with present livestock patterns, particularly if the unsupported market price does not vary too much from the present price of feed grains.

We think, too, that the program protects consumers. We will still have abundance in all areas of American agriculture.

In short, Mr. Chairman, we again congratulate the Secretary of Agriculture and your committee for its consideration of a measure which will get about the task of solving this very knotty problem.

Mr. POAGE. Thank you very much. Mr. Quie?

Mr. QUIE. Do you agree with the present support level indicated in the bill?

Mr. BATTLES. Yes, we think the \$1.20 is a pretty good figure. We are not just solidly married to it. We are not adamant in our viewpoint that it is the ultimate answer. We think that if it was raised a little over and above the \$1.20 that you would want to lower the payments for the land put in retirement in conservation practices.

Mr. QUIE. Would you favor a lower price and increasing payments for going into conservation practices?

Mr. BATTLES. I don't think so, for the reason that we have got to have incentives to get cooperation.

Mr. QUIE. Do you think the increase in rental payments will be an incentive for cooperation, or do you think that authority for unlimited sale below sales level would be the incentive?

Mr. BATTLES. Both will be incentives, I think. Were you referring to sales below \$1.05 or to sales at or around \$1.05?

Mr. QUIE. Below \$1.20.

Mr. BATTLES. Below \$1.20 both would be incentives. I think this is the psychological thing, Congressman Quie. It has to be determined, in our mind, what the possibilities are going to be next fall at planting time.

Mr. QUIE. What percentage of the farmers feed their own feed grains on farms; do you know?

Mr. BATTLES. You mean all of their feed? Close to 80 percent of the feed grains are fed on the land.

Mr. QUIE. What incentive is it to them that the price support is increased or the market price lowered?

Mr. BATTLES. As an incentive to cooperate, do you mean?

Mr. QUIE. Yes.

Mr. BATTLES. Well, if you take an illustration, Congressman Quie, of a certain given acreage and then figure the income there, say, on a certain number of bushels from that acreage at \$1.06, and then figure it, also, at \$1.20, if they cooperate on the lesser acreage, 20 percent or up to 40 percent less, add to that the payments for retiring the land, and you will come out, allowing some increase in yield for more intensive practices, with a slightly higher income by cooperating with the program than by not cooperating with the program.

Now, if the sale was made at below \$1.06, the difference would be greater.

Mr. QUIE. With the same illustration, the farmer who feeds his own grain on the farm, give him an opportunity to comply with the program where the payment was higher, the conservation payment was higher, but the support level was, you say, at the present level, would there not be a greater inducement for such a farmer to comply.

Mr. BATTLES. Mr. Bailey has an answer to that.

Mr. BAILEY. I do not have the answer, but I think you are correct in saying that inducement can be one of two ways. One is in the higher payment rate and lower support price, or in support differential. If there is a support differential of, say, 15 cents a bushel, which we have here between the market price, assuming the market price at \$1.05 and support at \$1.20, I suspect a great many farmers who feed their grain normally are going to put their corn under the loan at \$1.20 and go in the open market and buy at \$1.05.

Mr. BATTLES. As the chairman mentioned, it was a matter—you know more about this than we—which would be the problem of the reaction of the Congress as a whole relative to these two techniques of obtaining cooperation.

Mr. QUIE. If that were the case, where the farmer who raised corn to feed to his own livestock put it under a loan, and bought in the open market, this would make the program much more expensive at \$1.20 corn than it would be if the payment per acre was higher and the support level were lower, so they would not use that avenue.

Mr. BAILEY. I agree with you. And there is, also, another potential danger in that. If we get a 70-percent compliance which the Secretary mentioned yesterday, that would mean that, approximately, 3 billion bushels of our corn crop would be produced under loan, within the loan guarantee, and if all of that, the major portion of that, if it went into the loan program under seal, we could very well

find ourselves short of a market supply of feed grains before the end of the marketing year.

If we had as much as, say 2 billion to 2.5 billion bushels under loan, under seal, the price would have to go up to pull that out of the loan or we would not get much to feed out.

I don't believe that the CCC and the noncooperators would produce or have enough grain on hand before the end of the feeding year to supply the market without pulling some of that out of the \$1.20 loans.

Mr. BATTLES. The CCC has something like in corn, on the first of October, and the carryover in Government hands, about 1.5 billion bushels, somewhere around there.

Mr. QUIE. One other question: Do you think there is any danger of changing the competitive market where prices are now established to where the Secretary would, in effect, be setting market prices?

We saw what happened in cotton under the A and B programs. Is this desirable?

Mr. BATTLES. Well, this is a 1-year program. It is always desirable to have as much freedom of price, letting price perform its function as much as possible.

Of course, the Secretary right now has more power to set general levels in feed grains than a lot of people realize.

Mr. QUIE. That is all. Thank you.

Mr. POAGE. Mr. Jennings?

Mr. JENNINGS. What are your views pertaining to the amendment that was offered by the Secretary yesterday on the sale of feed grains to obtain the support price?

Mr. BATTLES. That is \$1.05?

Mr. JENNINGS. Is that not a disadvantage rather than an advantage?

Mr. BATTLES. Psychologically it is a disadvantage. It assures \$1.05 for all corn. There is no question about that.

Mr. JENNINGS. Why fix the price at \$1.05?

Mr. BATTLES. Why should we have that?

Mr. JENNINGS. Yes.

Mr. BATTLES. I suppose if I was Secretary that I would want to maintain faith with producers to some degree and that might have been in his thinking in asking for this \$1.05. There are advantages and disadvantages in it. I do not know which one is best.

Mr. JENNINGS. What are some of the advantages?

Mr. BATTLES. Well, the advantage is that it does protect farm income to that degree if we have a fixed price.

Mr. JENNINGS. To the noncomplier?

Mr. BATTLES. To the noncomplier.

Mr. JENNINGS. Is that not the ultimate aim?

Mr. BATTLES. That is part of the aim, to raise farm income. It is to get cooperation and to stabilize the whole situation and get rid of the surpluses.

Mr. JENNINGS. Our aim is to stabilize farm income by using this conservation reserve and bringing the production in hand. Is that not a vehicle of a fixed price at a lower level?

Mr. BATTLES. That is right.

Mr. JENNINGS. That is all.

Mr. BAILEY. Just by way of comment to some discussion yesterday as to whether the other feed grains—oats, barley, and rye—should be included under this program: We would suggest the possibility that those feed grains might be excluded, for two reasons. One is that they have not formed a major portion of our surplus and are not a very large surplus in supply. The other is that we include them. And sometimes it disrupts the farmer's practices. And it is getting late in the case of oats to make it effective. It would simplify the program if grain sorghums and the like were included.

Mr. POAGE. Mr. Short?

Mr. SHORT. No questions.

Mr. POAGE. Mrs. May?

Mrs. MAY. Mr. Battles, I would like to ask a question in another area about the possible effect of this bill, because your organization, along with the National Wheat Growers Association and the Farmers Union, is still backing a bill in which the farmers in my area are interested. The bushel marketing control plan for wheat. I am sure that the Grange is still backing that, is it not?

Mr. BATTLES. Yes.

Mrs. MAY. I have been trying to study this bill and its possible future effect on that legislation. You have to agree that one of the effects of this legislation would be that we would be able to feed the wheat in my area and all areas like it. Do you see any hindering effect of this legislation against a background of the total feed grain problem? It is very difficult for me, in other words, to try and make up my mind on this bill and separate the handling of feed grains, corn and the like, from wheat as wheat.

Can we reconcile both programs, or if we go on with this approach will we endanger the possibility of passing legislation for what the Grange favors?

Mr. BATTLES. We are very conscious, Congresswoman May, of the problem of wheat and its feeding ramifications, and insofar as the effect of this program on feed grain supplies is concerned, with 75 million tons carryover of feed grain supplies. And with this program not being geared up to reduce that more than 15 or 18 million tons, we will still be faced with a real feed grain problem. We are going to have lots of feed grains for a while yet.

We would hope that the wheat legislation could be geared in such a way that it would not be a problem to feed grain supplies.

Mrs. MAY. My hope is the same as yours, Mr. Battles. This is my fear in enacting this legislation now. Because I am interested in the wheat program in particular, it is very difficult for me to try to make an intelligent decision as to the relation of feed grains to wheat, which, I believe, should be part of our consideration whenever we talk of any grain program.

Mr. BATTLES. Yes, madam.

Mrs. MAY. In going over this legislation I would appreciate any help that your organization or any of the others might be able to give in regard to their thinking on this bill or this program. That is all, Mr. Chairman.

Mr. POAGE. Mr. Coad?

Mr. COAD. I would like to ask one question regarding the soybeans situation. Of course, soybeans are a very important crop in my area.

The Secretary yesterday said that the support price would be on the basis of \$2.30 a bushel. I would like to have your opinion on this. If the Congress amended the bill to \$1.30 on corn and it was signed, would you think that the price support on soybeans then should be raised, lowered, or remain the same?

Mr. BAILEY. Well, I think the Secretary partially answered that question; and that was that his intention in setting \$2.30 for soybeans was to be enough above the corn to pull acres out of corn into soybeans. The extent of the differential would determine how much goes out of corn and into soybeans. He was figuring \$2.30 on the basis of \$1.20 for corn.

Mr. COAD. He did say it was \$2.30—if there were no corn program enacted and the corn price remained at \$1.06.

Mr. BAILEY. He felt that would be advisable, of course. If corn remains at \$1.06, \$2.30 is extremely attractive for soybeans.

Mr. BATTLES. There is a little confusion on that, too. I was not sure what his point was yesterday. In the press conference he tied the two things together.

Mr. BAILEY. He tied them together. He felt that he was committed to make an announcement officially at a later time, of at least \$2.30 on soybeans, regardless of what happened on corn.

Mr. COAD. At least \$2.30?

Mr. BAILEY. Yes.

Mr. COAD. If we passed a bill on corn of \$1.20—

Mr. BAILEY. That was the indication that he gave us at the Department down there in a briefing: that he wanted enough differential to pull 2 to 4 million acres of corn into soybeans; and he felt that it would take that \$1.10 differential to do it.

I would assume that if corn supports were raised to \$1.30 that he would probably raise soybean supports proportionately. That is an assumption. I don't know.

Mr. COAD. That is all. Thank you.

Mr. POAGE. Mr. Latta?

Mr. LATTI. No questions.

Mr. POAGE. Mr. Albert?

Mr. ALBERT. Have you analyzed the effect of this legislation with respect to prices of livestock, poultry? Do you think it will have an effect, that is, on the prices that the producers get?

Mr. BATTLES. Well, we would on the short-time basis. I agree with what was said yesterday.

If feed prices go up—that is what Mr. Cochrane said—there will be some tendency for a slight cutback in livestock numbers.

We based our thinking on this program on the assumption that feed prices, on the whole and on the average, would not go up very much from present levels.

Mr. ALBERT. If that be true and this bill sets a level at \$1.20 or \$1.30 would it make any great difference between those two figures?

Mr. BATTLES. That is right—on the livestock—if the open market sells at \$1.65, then there would not be much difference—if it does.

Mr. BAILEY. The soybean meal prices would go up a little bit.

Mr. ALBERT. I did not hear you.

Mr. BAILEY. So would cottonseed meal, because you would raise cotton supports to those of soybeans, which would raise it from \$37 to \$38 a ton gin price, to around \$46 to \$47 a ton for cottonseed meal. So

cottonseed and soybean meal as it is used in the livestock mix would increase the price in the cost of livestock.

Mr. ALBERT. Do you have the figures—I did not get them from the testimony yesterday—on how much feed grains are fed domestically each year? What is that in bushels?

Mr. BATTLES. Feedstuffs disappearance in total millions of tons, which is all feedstuffs, ranges from, in 1950 when it was 130.4 million tons; in 1955 it was 132.1 million tons; and in 1960 it was 163.8 million tons.

Mr. ALBERT. That is total disappearance?

Mr. BATTLES. This was total disappearance of feedstuffs to livestock.

Mr. ALBERT. That includes foreign trade?

Mr. BATTLES. I don't think so.

Mr. ALBERT. Does it include foreign trade?

Mr. BATTLES. Just a minute. I can find out.

Mr. BAILEY. I believe it does—I am not sure—I think that is disappearance.

Mr. ALBERT. That excludes foreign trade?

Mr. BATTLES. I think the corn use is somewhere around—

Mr. BAILEY. Somewhere around three.

Mr. BATTLES. This is quantity fed to livestock—feedstuffs disappearance fed to livestock, 1960, 163.8 million tons.

Mr. ALBERT. That is domestic?

Mr. BATTLES. Domestic to livestock.

Mr. ALBERT. And how much of that goes abroad under dollar sales—do you have that?

Mr. BATTLES. I would have to look that up, too.

Mr. ALBERT. Maybe I can refer that to a Department witness. Thank you very much.

Mr. POAGE. Before I call on Mr. Hoeven, I want to get one thing worked out. How far do you want to go on questions? We have a number of other witnesses. I do not want to cut anybody off, but if we are going to go over the same thing again, we will be here for several weeks, rather than a day. We have to start working on this legislation.

I did not ask any questions. I do want to give Mr. Hoeven an opportunity to question. Do we want to take up the other witnesses now? I do not want to cut anybody off. Some of you have already asked questions the second time, but do you want to spend the rest of the morning on one witness, or do you want to hear the other witnesses?

Mr. MATTHEWS. Perhaps we can proceed a little more rapidly. I have not asked a question, but I have heard the same information four different times.

Mr. POAGE. I know that. It seems to me that there is no purpose in asking the same questions over and over and over of the witnesses.

Again, I am not trying to cut anybody off. I will probably take as much time as anybody, but if you want to shorten the hearings I will try to help you.

Mr. Hoeven?

Mr. HOEVEN. Mr. Chairman, I expect to abide by the suggestions of the chairman and do not want to be repetitious.

I am disturbed about the attempt to fix prices in dollars and cents without reference to the parity formula.

The Secretary was interrogated on this matter yesterday. He was asked if he would prefer to have discretionary authority to fix the price, rather than to peg it? I understand the Secretary to say that he would have no objection.

When you start pegging the price at \$1.20, or any other figure, we are establishing a dangerous precedent. The first thing you know we will be pegging the price of pork chops.

Mr. BATTLES. Well, you are right, that price fixing is dangerous. In this situation we are in now, it is a matter of alternatives, and I suppose if any of us were Secretary and were going to make or to reach the objectives that we all want to reach, that we might have a better chance of reaching them if we did announce the incentives pretty well.

Mr. HOEVEN. May I interject at that point?

Mr. BATTLES. Yes, sir.

Mr. HOEVEN. The Secretary said he intended to fix the price support at \$1.20.

Mr. BATTLES. Yes.

Mr. BAILEY. And the price support would have to be in advance of the sign-up for compliance, the cooperators would have to know what it will be, whether this committee or the Congress or the Secretary sets it.

Mr. HOEVEN. That is all. Thank you.

M. POAGE. Thank you, Mr. Hoeven.

We are very much obliged to you, Mr. Battles and Mr. Bailey.

Mr. BATTLES. Thank you.

Mr. POAGE. We will call on Mr. Reuben Johnson next of the National Farmers Union.

STATEMENT OF REUBEN L. JOHNSON, ACTING DIRECTOR, DIVISION OF LEGISLATIVE SERVICES OF THE NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman, I should like to indicate for the record how happy I am to see the Honorable Clarence Cannon present at the hearing of the Agriculture Committee on feed grains. His presence here indicates his longtime interest in agriculture.

Congressman Cannon, I am very happy that you are here to listen to the testimony.

I would like, also, Mr. Chairman, to welcome Congressman Harvey back. He is a familiar face on this committee for many years past. We are very happy to have him back with us.

Mr. Patton had hoped that he would be able to appear at this first hearing of the House Agriculture Committee on farm income-improvement legislation in the 87th Congress. He is unable to be here because of a longstanding commitment to speak at the 25th anniversary of the Canadian Federation of Agriculture in his capacity as president of the International Federation of Agricultural Producers.

We appreciate very much the opportunity to appear before the Subcommittee on Livestock and Feed Grains to present the views of National Farmers Union on the feed grains program presented to the Congress by this administration. We are encouraged by the proposal presented by Secretary Freeman to the subcommittee because it raises the incomes of feed grain producers while relating the support

price of the feed grains to corn on the basis of the exact feed value equivalent.

The position of National Farmers Union on legislation to raise the income of farm families has been expressed many times in the past before the House Agriculture Committee and its subcommittees. The record will show that we have been consistent in maintaining a position in support of legislation which increased farm income and that we have opposed legislation which, in our judgment, would lower farm income.

We believe that considering the alternatives with which feed grain producers are faced, the legislation before you is worthy of your support and of the support of the Congress. There is just one change in the bill before you which we recommend.

Following the recommendations of the Feed Grains Advisory Committee, we urge you to increase the support price of corn to \$1.30. With the support price for corn set at \$1.30, the support price of grain sorghums would be \$2.20 per hundredweight, calculated on the basis of 95 percent of the feed value of corn. We have no objection to you specifying the support level at which grain sorghums and other feed grains will be supported, if in your wisdom you decide on such procedure. We have full confidence in the Secretary and his staff to correct the imbalance in support prices of feed grains in past years.

With the attention that the subcommittee has given in the past to the need for a better feed grains program, we have confidence in the decisions you will make on the administration's proposal. We appreciate what we understand to be a sincere desire on the part of all the members of the House Agriculture Committee to work with the new administration on programs which will substantially raise the income of farm families in the years ahead.

I have prepared three examples of the different alternatives to the feed grains problem, and I respectfully request your permission to make them a part of the record at this point.

Mr. JENNINGS (presiding). Without objection they will be made a part of the record.

(The examples follow :)

EXAMPLE OF HOW THE PROGRAM WOULD WORK ON A CORN BELT FARM

1. Production and gross income with corn supported at \$1.30

	Acres 1961	Yield 1959-60	Production	Value at price- support level of \$1.30
	Million	Bushels	Million bushels	Million dollars
Corn.....	48	1 52	2, 496	3, 245
Oats.....	20	40	800	² 492
Soybeans.....	20	25	500	³ 1, 150
Total cultivated acres.....	88			
Conservation use.....	12	Conservation practice payment 600 bushels× 0.78=		468
Total value.....				5, 355

¹ Assuming land put to conservation use in less than average productivity and more intensive practices are used on remaining acres.

² Assuming a 23 percent increase in price support for corn.

³ Assuming support price at \$2.30 per bushel.

2. Production and gross income with corn supported at \$1.20

	Acres 1961	Yield 1959-60	Production	Value at price- support level of \$1.20
	<i>Million</i>	<i>Bushels</i>	<i>Million bushels</i>	<i>Million dollars</i>
Corn.....	48	1 52	2,496	2,995
Oats.....	20	40	800	2 453
Soybeans.....	20	25	500	3 1,150
Total cultivated acres.....	88			
Conservation use.....	12	Conservation practice payment 600 bushels× 0.72=		432
Total value.....				5,030

¹ Assuming land put to conservation use in less than average productivity and more intensive practices are used on remaining acres.

² Assuming a 13 percent increase in price support for corn.

³ Assuming support price at \$2.30 per bushel.

3. Production and gross income under existing program

	Acres 1960 (million)	Yield 1959-60 (bushels)	Production (million bushels)	Value at old price- support level (million dollars)
Corn.....	60	50	3,000	3,180
Oats.....	20	40	800	400
Soybeans.....	20	25	500	925
Total cultivated acres.....	100			
Total value.....				4,505

Mr. JOHNSON. I will be very happy to try to answer any questions that you members of the subcommittee or other Members present may have.

Mr. POAGE (presiding). Mr. Dague?

Mr. DAGUE. I have no questions.

Mr. POAGE. Mr. Quie?

Mr. QUIE. One question is about the difference between support level and the price which the Secretary would offer CCC stocks on the market. What is your opinion on that?

Mr. JOHNSON. Congressman Quie, are you asking the position of the Farmers Union with regard to the suggested amendment to section 3?

Mr. QUIE. Yes.

Mr. JOHNSON. Let me say that we have confidence in the Secretary. We believe that it would be all right to give him the authority in section 3 to move feed back into the market, out of CCC stocks at whatever price that he thought would serve the interests of producers best.

I, personally, do not believe that the amendment that was proposed here by the Secretary is needed. We support the Secretary in the alternatives that he would have under the section 3 as it was originally drafted.

Mr. QUIE. I understand in another program, the cotton program, the price support is at 82 percent of parity this year, under the law the resale price cannot be less than 15 percent above the support level, which is exactly opposite of what we are attempting to do in the feed grains program now.

What is your position with regard to that?

Mr. JOHNSON. We are talking about two different types of programs. This is a 1-year emergency program. It is a voluntary program, whereas the cotton program is not.

In order for the Secretary to make this program work and to protect the incomes of producers, I believe it would be much better for him to have the broad authority of section 3 that it gives him as it is presently drafted.

This program will work best if there is a high percentage of participation in it. I think this has been well illustrated by the Secretary's testimony yesterday.

This section 3 does give the Secretary a little advantage. It is kind of like having an ace in the hole before the card game starts except in this case producers hard hit with low incomes on feed grains are going to be perfectly willing for the Secretary to have this ace in the hole before the card game starts because by him having the ace in the hole we anticipate that the larger percent of producers will think twice at planting time before they decide to put their entire farm into corn.

Mr. POAGE. Any questions?

Mr. MATTHEWS. No.

Mr. POAGE. Mr. Short?

Mr. SHORT. You made the statement that you regard this will cause the income of the feed grain producers to increase and conceivably you arrive at that deduction by virtue of the fact that this will probably raise the price of feed grains.

Mr. JOHNSON. That is right.

Mr. SHORT. I am wondering if you think there would be an adverse effect on producers of feeder cattle. It seems to me it follows that as the cost of feed rises the feeder must pay less for his feeder cattle if he is going to come out at a profit in his operation.

Mr. JOHNSON. I have never been in the cattle feeding business, Congressman Short. I know that the feeders of cattle consider many factors when they plan their operations. Of course, one of the most important of these is the cost of feed grain.

I have not made any detailed study of the effects of this program on cattle feeders. It could well mean, however, that the number of feeder cattle producers might tend to slow up or to cut back, and, therefore, to wait to see what the effect of this program would be. If they do this and cut the number of feeder cattle, then I think there is a good possibility that the feeder cattle prices to the producers might increase.

Mr. SHORT. I would be thinking this, if they cut back you are going to reduce their income because I think you have reached the saturation point so far as consumption of beef is concerned at the present price.

Mr. JOHNSON. Again, it is a value judgment on my part, but if the prices of cattle went up, even though they cut back, it is conceivable

they might come out just as well. You and I both know that feeding cattle is a risky business, and there are many factors which affect this type of farm operation. It is a risky business and requires so much capital that cattle operation tends to be concentrated on a fairly large-scale basis.

A man that is able to and has the capital to get into the business has other alternatives that are open to him, also, for using that capital. In many cases he is a man that has other interests besides farming in this day.

I look with more concern and interest at the family farm producers of feed grains, considering their needs for increased income. Cattle feeders will, as they have for a long time, considering all of the factors, take care of themselves in decisions that they make.

Mr. SHORT. I will agree with you that there are some very large cattle feeding operations that are going on in this country, but by the same token, I think I must insist that the vast majority of the cattle fed in this country are fed, certainly, on normal family-sized operations, family-type farm operations.

Mr. JOHNSON. Yes; there are some cattle fed there, I would agree with that. But finished cattle tend more and more to be fed out by large-scale operators, with the family farms and ranches furnishing the feeder stock.

Dr. Cochrane went into this in some detail yesterday on hogs and poultry, and I thought that he gave a good answer. It was as accurate as can be given at this point as we look at the effect on livestock prices from this kind of a program.

Mr. SHORT. I might add here in all sincerity that Dr. Cochrane's observations about the cattle business would scare the daylights out of some of the ranchers in the West. Their practical experience and his views as an economist somehow do not quite jibe. Which one is right, I am not able to say.

Mr. Chairman, that is all.

Mr. POAGE. Thank you. Does anybody else have questions?

Mr. HAGEN. You made a statement there would be a large percentage of participation. And, also, you supported an increase in the support levels from \$1.20 to \$1.30.

Mr. JOHNSON. Yes.

Mr. HAGEN. Is it not true that if you are going to get the required degree of participation, and you raise the support level, you will have to raise the price level on this entire payment program considerably to maintain the same spread; in other words, if you raise the cost of one part of the package, the other part of the package goes up too; is that not correct?

Mr. JOHNSON. Well, I think this is up to the decision that will be made here—and to the Secretary. It would be left up to the Secretary, I think, under the terms of the bill.

Mr. HAGEN. If you peg supports at \$1.30, the amount of payment per acre will go up according to the administration bill.

Mr. JOHNSON. Your question was related to the cost of the conservation acres?

Mr. HAGEN. That is right. In other words, if you reduce this spread by raising the price support, and not raising the retirement payment, you are going to get a smaller degree of participation.

Mr. JOHNSON. I am not sure that would be the effect of it, Congressman Hagen.

Mr. HAGEN. It is a possibility, though?

Mr. JOHNSON. In fact, I think I could make a good case for the \$1.30 support level on corn increasing participation in the program.

Mr. HAGEN. We will leave that. As I understand your position, it is that raising the price of feed grains will not raise the price of cattle and hogs.

Mr. JOHNSON. I do not think I made that as a flat statement. I indicated that the effect of this program on feeding operations might well be to raise the price of feeder cattle to producers.

Mr. HAGEN. Now, to the extent that you raise the price of feed you increase the cost of doing a livestock business for example.

Mr. JOHNSON. I am one who thinks there is a definite relationship between the price of feed and the price of livestock to producers. And I think if you look back over the historical profile, comparing prices of feed grains with the prices of feeder cattle, you will see there is a relationship. There has to be; otherwise, there would not have been many people feeding cattle in 1952 when corn was selling at \$1.65 a bushel.

Mr. HAGEN. Regardless of your personal views, I believe it was stated yesterday there would not be an increase, as stated by Dr. Cochrane, in the sale price of cattle. According to Mr. Harvey, probably 80 percent of the corn raised was fed by farmers to their own hogs, and they would have to be attracted by the payment program rather than price support increases.

Mr. JOHNSON. I think that is a little high.

Mr. HAGEN. A large percentage.

Mr. JOHNSON. A large percent.

Mr. HAGEN. In the past they have not participated in the corn support program.

Mr. JOHNSON. Not all of them.

Mr. HAGEN. A lot of them have not. So to the extent that you raise the price of feed and do not raise the price of livestock, you are doing him a disservice?

Mr. JOHNSON. The effect of this program might be to cause some adjustments, but these adjustments might well be desirable from the standpoint of the livestock producer. I am inclined to accept that as a basic premise on which to view this kind of program.

Mr. HAGEN. California is a feed grain deficit area. It is possible that this program might work adversely to the farmers of our State.

Mr. JOHNSON. Let me say again when you look at a period when corn was selling for \$1.65 a bushel, I think you will see that the producers of poultry, the producers of feeder cattle, the producers or the suppliers of cattle to the feeders, were all enjoying a period of better prosperity, more income, than they are enjoying now with corn at \$1.06. And I think that the adjustments that livestock producers will make would be good for the livestock industry rather than harmful.

Mr. HAGEN. Thank you.

Mr. POAGE. Are there any other questions? If not, we are very much obliged to you. We appreciate your appearance.

Mr. HOEVEN. I would like to ask one question.

Mr. POAGE. We will be glad to have you do so.

Mr. HOEVEN. Mr. Johnson, what is your recommendation as to what the parity ratio of corn should be?

Mr. JOHNSON. Mr. Hoeven, I think that you are familiar with the fact that we have supported legislation which would give producers the right to develop a program for controlling production presented to them in referendum for approval by two-thirds of the producers of the respective commodities and that we would base our long-term farm program on this type of procedure.

As to what the support level should be ultimately, our position, as you well know, is a full parity income program.

I might add that we are very happy that President Kennedy, in his statement on agriculture policy in the new frontier, also, embraced this as the desirable objective toward which we ought to move.

Mr. HOEVEN. Your organization, of course, historically has stood for 100 percent of parity, has it not?

Mr. JOHNSON. Our position is for full parity of income, of giving producers income for their management, capital, and labor on an equal basis with the earning power of people in the nonfarm sector who make similar contributions in their endeavors.

Mr. HOEVEN. In some of your publications of late you have been rather critical of the former Secretary of Agriculture because the parity ratio only stood at 80 percent of parity. Now I am rather surprised to find you recommending a bill which provides for 74 percent of parity.

Mr. JOHNSON. Congressman Hoeven, we are not writing here a long-term permanent program for agriculture. And if we were, I would have to take a somewhat different position than that which I have just stated. We are talking about a 1-year emergency program.

We have to move rather rapidly if this program is to go into effect in 1961. And it is on this basis that we make the recommendations that we do.

Mr. HOEVEN. That is all. Thank you.

Mr. POAGE. Thank you.

Mr. COOLEY. I want to ask permission to file a statement for the record by President Charles Simpson of the American Soybean Association of Hudson, Iowa.

Mr. POAGE. That may be included in the record.

(The statement follows:)

STATEMENT OF CHARLES SIMPSON, PRESIDENT OF THE AMERICAN SOYBEAN
ASSOCIATION AND INDUSTRY

Soybeans are a unique agricultural commodity. Producers of soybeans ask no additional help from Government and want nothing more than to be allowed to further expand markets for their commodities and to expand production commensurate with the market's ability to absorb the end products. No further governmental aids, no acreage controls, no export subsidies or quotas are either desired or deemed necessary. Our major concern is that hasty governmental action under the guise of assistance to the soybean industry may, in effect, be highly detrimental to the longtime interests of the producer of soybeans.

The possibility of governmental action shifting to our industry the surplus problems of other agricultural commodity groups by expecting us to absorb the surplus acreage removed from those crops, and the concern that overzealous price-support enthusiasts may promote price-support levels above the figures that will permit continued expansion of markets for our products both at home and abroad are ever present.

PRODUCTION

Production of soybeans in the United States has tripled since the end of World War II and current stocks of soybeans may be inadequate to meet total needs, as evidenced by recent price gyrations. Over 11 million acres have been absorbed from other commodities which would be in even greater surplus position were it not for this acreage transfer. Price-support levels, through request of the American Soybean Association, have been kept at insurance levels only, with an avowed intent to determine how many soybeans the markets could absorb. Production has risen from 180 million bushels to 550 million bushels per year through acreage increases and per acre yield increases. The support price, with very few exceptions, has had no relationship to the actual selling price, as the crop has moved at levels well above supports. Soybeans are still a new crop. The markets are still expanding. We still do not know what the ultimate market will be. Time and policies to encourage the growth of markets only will tell.

From a position of being the world's largest net importer of fats and oils the United States has reversed its position and has become the world's largest net exporter of fats and oils and oil-bearing materials, largely due to the increase in soybean production. During the past year 142 million bushels of soybeans have been merchandised in world export markets which did not exist 12 years ago, and every bushel has moved for dollars. In addition, the oil from nearly 100 million additional bushels of soybeans has been shipped into world markets, two-thirds of it for dollars, and some 700,000 tons of soybean meal has moved into exports, all for dollars.

PROGRAM OBJECTIVES

Because of this situation the problems of the soybean producer are different than those of the producers of most other major commodities. The objectives of any farm program, so far as soybeans are concerned, should be twofold:

1. Encourage soybean production increases at a rate sufficient to supply expanding markets as rapidly as they can be developed, without shifting the surplus acreage problems of other crops to the soybean crop; and
2. Maintain support prices on soybeans at a level which will encourage gradual increases in production without pricing the end products out of world markets and creating surpluses that will back up into CCC hands.

Short-term goals for 1961 and 1962 include both the above points and to the desirability of expanded market development work on soybean products and the building of markets which will eventually absorb a billion bushels of U.S. soybeans per year. In the increase in acreage necessary to produce this quantity of soybeans each year the surplus acreage problems of other commodities such as corn, cotton, and wheat will be partially solved as the soybean crop takes over that acreage.

The soybean crop has never yet been in any real trouble marketwise because production has been expanded only as rapidly as markets could be developed. The 1960 soybean crop totaled 558 million bushels, yet the carryover as of last October 1 from the previous year was only 23 million bushels. The Government now holds fewer than 10 million bushels of soybeans in storage, and it is expected that there will be very little, if any, carryover next October 1.

Soybeans have been in the enviable position of costing the Government very little for the price-support program, and in contrast to other price-support programs have even been operated at a profit to the Government most years. On the other hand they have diverted acres from crops that are in surplus and thus lessened the burden of their support. Soybeans were harvested from 24 million acres in 1960. A large part of this acreage would have been planted to surplus-producing crops if it had not been in soybeans.

The primary objective of the American Soybean Association is simply stated: We want to broaden the markets for soybeans and for the two main products, soybean oil and soybean meal, and we want to continue to produce for consumption in the market and not for Government storage. This objective has broad support in the entire soybean industry.

MARKET EXPANSION

Our markets, foreign and domestic, are expected to absorb before the yearend practically all the 580 million bushels of soybeans that were in supply last October 1. We believe it is realistic to forecast that markets can be expanded to absorb 1 billion bushels of soybeans annually within the next decade. One

informed observer says the domestic market alone will require another 10 million acres to be planted to soybeans in the next 10 years—to produce between 200 and 250 million bushels annually above present production levels. The U.S. Department of Agriculture forecasts that export demand for U.S. fats and oils will expand by 30 percent by 1965, which would require another 150 million bushels, the output of 6 million acres. By the time we are producing a 1-billion-bushel crop of soybeans we will be devoting nearly 40 million acres to the crop. This should mean that another 16 million acres can eventually be taken out of surplus-producing crops and transferred to soybeans.

Thus we believe that soybeans are making a very substantial contribution to the solution of the agricultural surpluses and can play an expanding role in the future. But as substantial as this role is, it should be realized that soybeans cannot solve all agricultural problems, or absorb all of the surplus acres today or in the near future. We cannot shift acres into soybeans in advance of expansion of the markets. To do so will make soybeans another surplus crop, and merely shift the farm surplus problem from one crop to another. The moment this happens the historic role of the soybean crop in U.S. agriculture will have been destroyed.

POLICIES TO DATE

We believe the continued health of the soybean industry has been due in no small part to the philosophy of the American Soybean Association and the soybean industry:

(1) We have adhered to a realistic pricing policy, which has been to price soybeans as high as the market will permit, but not so high as to price them out of either U.S. or world markets. We have accepted support prices at a level to give producers the benefit of the loan or purchase agreement, but not so high as to result in a burdensome accumulation in Government storage.

(2) Coupled with a moderate pricing policy has gone a vigorous effort to expand the markets for soybeans and to keep them moving into the channels of trade. The American Soybean Association has been operating a market development project in Japan utilizing Public Law 480 foreign currency since 1956, and has played no small part in seeing the export of American soybeans to Japan rise from 20 million bushels in 1956 to double that, or 40 million bushels by 1960. The Soybean Council of America, Inc., an industrywide promotional agency established by producers and processors, last year signed a world agreement with the Foreign Agricultural Service, USDA, covering availability of foreign currencies in over 40 countries. Currently they are engaged in active promotional work of soybeans and soybean products in many of these countries. Unquestionably the work done jointly by the American Soybean Association and the Soybean Council of America, Inc., in promoting export markets for soybeans and soybean products has greatly added to the increased demands of these foreign markets. During the 5 years these export programs have been in effect, annual U.S. export sales of soybeans have increased from 67.5 to 142 million bushels, all for dollars; exports of soybean oil from 556,394,000 to 952,754,000 pounds, of which two-thirds was exported for dollars; and exports of meal from 400,359 to 652,300 short tons, all sold for dollars.

IMPLEMENTATION OF THE AMERICAN SOYBEAN ASSOCIATION'S PROGRAM

In relation to—

(a) The consumer: The population of the United States is expected to increase 10 percent between 1959 and 1965, with rising consumer incomes during the period, according to the U.S. Department of Agriculture. This means a larger overall demand for farm products and an expected continued shift away from consumption of carbohydrates to consumption of fats and oils and proteins due to rising purchasing power. Greater consumption of milk, meat, poultry, and eggs, all of which depend on adequate supplies of soybean meal for livestock rations, will demand greater supplies of protein feeds.

Thus the American Soybean Association's program of expanding production of soybeans at reasonable prices is seen to be admirably geared to the needs of the consumer. It might be pointed out that neither fats and oils nor proteins have yet been in substantial surplus. In fact, protein—including both vegetable and animal protein—has never yet been produced in large enough supply to make possible a completely adequate diet either for livestock or human beings in this country.

The increasing population, coupled with the rising standard of living, will demand larger supplies of fats and oils and proteins. The soybean crop will be in position to supply soybean oil for such products as table spreads, vegetable shortenings, salad oils, and frozen desserts. Soybean meal will be available to feed an expanding livestock population, and a large number of special food uses. As the market demands greater quantities of soybean products, the acreage can be easily shifted from other crops or from acreage reserves.

(b) Depressed areas and needy families: The above remarks also apply to needy families, who will benefit from a plentiful supply of fats and oils and proteins—both vegetable and animal, at reasonable prices. The addition of fats and oils to the list of products available for domestic relief feeding should be considered any time fats and oils are in surplus supply.

(c) Internal economy of the United States: Promoting expanding markets for soybeans and soybean products, and in turn gearing the production of soybeans to these markets will strengthen our internal economy primarily in three ways:

(1) By making it possible to shift acres from other crops in surplus into soybeans as the market for soybeans expands. This will contribute to the solution of the surplus problems in other commodities and will offer farmers a profitable use for their acres and contribute to their overall prosperity.

(2) By offering a plentiful supply of highly nutritious fats and oils and proteins at reasonable prices we will increase the purchasing power of consumers and add to their general well-being.

(3) By undergirding the rapidly growing livestock industry which will be required by an expanding human population and rising standard of living in the United States through an adequate supply of protein concentrates at reasonable prices for livestock feed. Such supplies can only be supplied by a larger soybean crop. There has been an intimate relationship between the rapid growth of the soybean crop, the growth of livestock numbers and the consumption of larger quantities of livestock products in human diets during the past quarter century. This growth in the livestock industry and change in the human diet would have been impossible without the adequate supply of protein that has been furnished by soybean meal. At present three-fourths of the tonnage of all oilseed meals produced in the United States and over half of all protein concentrates, including animal products, is soybean meal. And soybean meal can continue to undergird this part of our economy if the expansion of soybean acreage keeps pace with the growth of livestock numbers.

(d) U.S. foreign policy including use of American productivity to promote economic and political progress: Generally speaking, the world has an abundant supply of carbohydrate foods. The foodstuff substances that are lacking in most part in the diet of the underfed peoples are proteins and fats and oils. The soybean is the largest and most economical supplier of both fats and oils and a high quality protein. Potential markets of the world are tremendous. These include both dollar markets and the so-called soft currency markets. If America's ability to produce food is going to be used to promote world economic and political stability, the foods that are most needed should be considered along with the foods that we produce in surplus. We have a total agricultural output that well exceeds our ability to consume. If export markets can be developed to consume a larger quantity of soybeans and soybean products, it will tend to relieve the total overproduction problem by a shift in acreage from surplus crops to those crops in demand by the export trade. This will not only assist in relieving the agricultural surplus problem but aid our overall balance of trade and at the same time assist in raising the nutritional levels of the people of the world and create favorable political environment.

SUMMARY

In summary, the objectives of the American Soybean Association are:

(a) Price supports at a level that will provide soybean producers with protection through the loan or purchase agreement, and still encourage them to market their commodity without creating burdensome accumulations in Government storage.

(b) Protection from too rapid acreage shifts from other commodities into soybeans that would increase the production of soybeans faster than markets can be developed, which would shift the farm surplus problem from one crop to another, but solve nothing.

(c) Continued and expanded availability of Public Law 480 foreign currencies with which to explore and develop additional markets for soybeans and soybean products abroad.

Mr. POAGE. The next witness is Mr. Charles B. Shuman, president of the American Farm Bureau Federation. We are glad to have you, Mr. Shuman.

STATEMENT OF CHARLES B. SHUMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION; ACCOMPANIED BY JOHN C. LYNN, LEGISLATIVE DIRECTOR; AND MARVIN L. McLAIN, ASSISTANT LEGISLATIVE DIRECTOR

Mr. SHUMAN. I have Mr. Jack Lynn and Mr. Marvin McLain to sit with me and to help me, if it is all right.

Mr. POAGE. Very well. We are very happy to have each of them.

Mr. SHUMAN. We appreciate the opportunity to present Farm Bureau's views on the special program for feed grains for 1961 as submitted by the administration. We would also like to make some recommendations that we think will be helpful to this committee and the Congress in dealing with the wheat and feed grain problem and its solution.

As an introduction to our recommendations, I would like to say a few words about Farm Bureau, its members, and their philosophy.

Farm Bureau is an organization of 1,600,792 farm families with member units in 2,674 counties in 49 States and Puerto Rico. Our policies are developed through an extensive policy development program which involves study, discussion, and action by the members, and their elected representatives, at literally thousands of meetings each year. Every member has the opportunity to participate, and all are encouraged to do so. We do not claim this process to be perfect. We are constantly seeking to improve it; however, we are proud of the fact that our policies reflect the active participation of hundreds of thousands of our members.

As a general farm organization—representing members who live in all important farming areas and produce all of the many farm products grown in this country—Farm Bureau must, of necessity, reconcile regional and commodity differences. Our goal is to serve the best interests of agriculture from an overall standpoint, and to do so on a basis consistent with the national interest.

While there is a serious problem in feed grains, we would point out that, relatively speaking, the problem in wheat is much worse. If we are to arrive at a workable solution of the overall problem of excess stocks of grain, we are of the firm conviction that wheat and feed grains must be considered together and at the same time.

In order that we may all better understand the overall grain situation, I list below table I which shows the average production, disappearance, and carryover of wheat and feed grains.

TABLE I.—Average output, disappearance, and carryover of wheat and feed grains—5 crop years, 1956–60

Crop	Average production	Average use ¹	Production as percent of use	Estimated 1961 carryover	Estimated 1961 carryover as percent of 1960–61 use
Wheat (million bushels)-----	1,181	1,091	108.2	1,526	132
Corn (million bushels)-----	3,862	3,697	104.0	2,000	48
Feed grains (million tons) ² -----	152	145	105.0	84	53

¹ Including exports.² Totals for corn, sorghum grain, oats, and barley.

Mr. SHUMAN. This table shows that the average production of wheat remains at 1.181 billion; of corn, 3.862 billion; feed grains, 152 million tons. And the average use is running as indicated there in the figures.

The production of the percentage of use for wheat is 108.2 percent and for corn is 104 and for feed grains, including corn, 105 percent.

And the estimated 1961 carryover for wheat is 1.526 billion.

And we estimate the carryover as a percent of the 1960–61 use. This is a very important figure. We had 132 percent of the estimated use of wheat, whereas we only had 48 percent of the estimated use of corn; 53 percent of all feed grains.

Further comments on table I: Data in table I indicate that:

(a) Annual wheat production over the last 5 years has exceeded annual disappearance by an average of 8 percent. The accumulated wheat carryover is 132 percent of total 1960 use.

(b) Annual feed grain output over the last 5 years has averaged 4 percent above annual utilization. The present carryover is equal to 53 percent of total 1960 use.

We believe that a workable cropland retirement program which would cover wheat and all feed grains is very desirable. We also believe that a requirement for producers to shift a part of their cropland to soil conserving uses as a condition of eligibility for price support of wheat and feed grains is sound. At the conclusion of our statement we attach a copy of a bill which has already been introduced by several Members of Congress that would carry out our organization's view in this regard.

We are in sharp disagreement with the administration's complicated and dangerous proposal for a special, 1-year-only program for feed grains. We believe such a program would cause more problems than it would solve. It is unworkable and it would be highly disruptive to the livestock, dairy, and poultry industries.

The proposed program contemplates reinstating the discredited acreage allotment concept for corn and other feed grains. Cornbelt farmers, by their own choice and vote, discarded acreage allotments on corn under the Agricultural Act of 1958. Corn allotments never have worked, and farmers themselves voted them out. It is difficult to understand why anyone would consider reinstating them—even for 1 year.

The proposal to tie corn allotments and other feed grain allotments to a historical 1959-60 pattern is outright discrimination. The very person who has abused his farm, thus contributing to the surplus problem, would now be rewarded for this action. Farmers who are carrying on a good rotation, and not depleting their soil, would resent this.

Under our proposal, the amount of land a farmer must retire to qualify for price support on wheat and other grains is based on his total cropland, rather than the way he has used his cropland the last 2 years.

By raising price supports of corn and the other feed grains, the Government would be bidding against itself in trying to get farmers to retire land. Cutting acreage and raising price supports would give farmers a strong incentive to increase per acre yields on their remaining acreage through heavy use of fertilizer, supplemental irrigation, and other production-stimulating practices. Thus, much of the contemplated effect of cutting feed grain acreage would be lost.

As we understand the proposed program, there is nothing in it to keep a producer from shifting rotation pasture and hayland to soil depleting crops such as flaxseed or soybeans, and thereby actually increase his production of feed units while being paid for reducing other feed grain acreage.

A temporary 1-year program of the type that has been proposed would aggravate rather than solve the basic problem of excess productive capacity. In order to be fully effective, a land retirement program must provide for the same land to be held out of production for a period of years.

In our considered judgment, the cost estimate of the special 1-year feed grain proposal is far less than the amount that would be required if there should be a high degree of participation.

One of the most disturbing features of this special proposal is the obvious threat to use the Government's huge surplus stocks to beat down the market price of feed grains. This is a brand new and fallacious concept. Grain farmers and livestock people will strenuously object to this 1961 version of price control once they understand its implications. The effect would be to make the Government the market for the cooperator's grain, and to disrupt the livestock, poultry, and dairy industries by politically manipulating the release of Government stocks of feed grains on an unpredictable basis. Who would possibly lay in a stock of any feed grain with a threat like this hanging over the market?

The proposed increase in soybean support prices is a most unwise move. Soybean prices have been above the support level, and have been rising for several months. The soybean program always has worked well because price supports have been used to facilitate orderly marketing, rather than to fix prices. The present market price provides ample encouragement for increased production. With a support price of \$2.30 per bushel, as suggested, there is a strong probability that the growth of commercial markets will be restricted and soybeans will soon join the list of crops plagued with unmanageable surpluses.

Finally, we think it is extremely unfortunate, as we stated earlier in our testimony, that the administration has seen fit to propose a program for feed grains without indicating what it expects to pro-

pose for wheat. The surplus problem is far more serious for wheat than for feed grains. There is little point in asking farmers to reduce the production of feed grains until they can be assured that wheat will not be dumped into the feed market on a subsidized basis.

We appreciate the opportunity of appearing before your committee to present our views. We hope that the committee will start right now to develop a program for wheat and feed grains that will be ready for farmers who will be fall planting for 1961 crops.

We earnestly hope that you will carefully study our organization's "Cropland Adjustment Act of 1961" which deals with the overall wheat and feed grain problem on a permanent basis.

Copies of our bill and detailed explanation are attached.

(The suggested bill follows:)

A BILL To establish a cropland adjustment program

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Cropland Adjustment Act of 1961."

DECLARATION OF POLICY

SEC. 2. The Congress finds that the production of excessive supplies of wheat and other grains depresses the prices and income of farm families, constitutes improper land use, and is wasteful of our natural resources. It is hereby declared to be the policy of the Congress and the purpose of this "Cropland Adjustment Act of 1961" to bring the supplies of wheat and other grains in line with current demand so that the surplus of these commodities can be reduced, farm prices and per family farm income increased, and the tax cost of farm programs decreased. To effectuate the policy of Congress and the purpose of this Act, programs are herein established to assist farmers to divert a portion of their cropland from the production of excessive supplies of wheat and other grains, and to carry out a program of soil, forest, and wildlife conservation.

TITLE I—LAND RETIREMENT AND SOIL CONSERVATION

ANNUAL DETERMINATION—ELIGIBILITY FOR PRICE SUPPORT—PARTICIPATION IN PROGRAM—RENTAL PAYMENTS IN CASH OR KIND

SEC. 101. Beginning with the 1962 crop year the Secretary of Agriculture is authorized and directed to establish and carry out a cropland adjustment program. In formulating and administering such program the Secretary shall:

(a) Not later than February 1 of each year make and announce an annual determination of:

(1) the total cropland to be devoted to the production of crops in the United States in that year;

(2) the total acreage of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax necessary to bring the total estimated annual production plus the anticipated release from Commodity Credit Corporation stocks into balance with the estimated annual disappearance of such commodities; and

(3) a uniform percentage of the National, State, county, and farm cropland necessary to be retired and devoted to soil conserving uses in order to bring the total estimated annual production plus the anticipated release from Commodity Credit Corporation stocks of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax into balance with the estimated annual disappearance of such commodities.

(b) Notwithstanding any other provision of law make available, through loans and purchases, price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax to only those producers who voluntarily comply with the cropland adjustment program and retire and devote to soil conserving uses that percentage of their farm cropland determined by the Secretary pursuant to subsection (a) (3) of this section. Any cropland retired in compliance with the conservation reserve program established pursuant to subtitle B

of the Soil Bank Act, as amended (70 Stat. 188; 7 U.S.C. 1801 et seq.), shall be deemed to be retired and devoted to soil conserving uses for the purposes of establishing eligibility for price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax. Any cropland retired and devoted to soil conserving uses under the cropland adjustment program established pursuant to this title shall, in subsequent years, be deemed to have been planted cropland for the purpose of establishing cropland history and eligibility for price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax.

(c) Be authorized to enter into contracts for periods of from three to fifteen years with producers determined by him to have control for the contract period of the farms covered by the contract if such producers agree to retire and devote to soil conserving uses any or all farm cropland in excess of that required to be retired and devoted to soil conserving uses in order for such producers to be eligible for price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax. The Secretary shall encourage the retirement and conservation of whole farms and shall provide full opportunity for producers of all commodities to voluntarily participate in the cropland adjustment program: *Provided*, That the Secretary may place a maximum limitation on the percentage of total cropland which may be retired and devoted to soil conserving uses if he finds that the cropland adjustment program is having an unduly disruptive effect on the economies of counties and local communities.

The Secretary is also authorized to enter into annual cropland adjustment contracts with producers determined by him to have control for the contract period of the farms covered by the contract if such producers agree to retire and devote to soil conserving uses that percentage of their cropland required to be retired and devoted to soil conserving uses in order for such producers to be eligible for price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax.

(d) Make an annual rental payment, either in cash or in kind, to producers who: (1) Retire and devote to soil conserving uses with proper management that percentage of cropland determined by the Secretary pursuant to subsection (c) of this section, and (2) otherwise comply with the cropland adjustment program as set forth in this title. The Secretary shall set the rate of rental payments at such a level as he determines will provide producers with a fair and reasonable annual return on the land retired and devoted to soil conserving uses after taking into consideration: (1) The incentive necessary to achieve voluntary participation in the program and to improve farm income; (2) the loss of crop production on the retired acres; (3) any savings in cost which result from not planting crops; (4) the estimated profit margin of crop production on the designated acres; (5) continuing farm overhead expenses; (6) the cost of establishing a conservation practice on the retired acres; (7) the value of the land for production of commodities customarily grown on such kind of land in the county or area; (8) the prevailing rates for cash rentals for similar land in the county or area; (9) drought, flood, or other abnormal conditions; and (10) other relevant factors.

The rate or rates may be determined on an individual farm basis, a county or State basis, or such basis as the Secretary determines will facilitate the practical administration of the program. In determining the lands in any area to be covered by contracts entered into under this title, the Secretary may use advertising and bid procedure if he determines that such action will aid the administration of the cropland adjustment program.

On annual contracts the Secretary shall provide for such additional incentive as he deems necessary to encourage producers to retire and to devote to soil conserving uses for more than one year, the identical cropland which was originally retired and devoted to soil conserving uses as a requirement for eligibility for price supports.

Producers shall be compensated for participating in the cropland adjustment program through the issuance of negotiable certificates which the Commodity Credit Corporation shall redeem in accordance with regulations prescribed by the Secretary: (1) In cash upon presentation by the producer or by any holder in due course; or (2) in wheat, corn, oats, rye, barley, or grain sorghum upon presentation by the producer or by any holder in due course. The Secretary may provide for an additional incentive, not to exceed 10 per centum of the cash payment rate, for producers who accept certificates redeemable in kind. The Secretary shall limit the distribution of the certificates redeemable in kind if he finds the issuance of such certificates has an adverse effect on wheat, corn, oats, rye, barley, or grain sorghum market prices or upon livestock marketing

or livestock market prices. The Secretary shall discontinue the issuance of the certificates redeemable in kind when Commodity Credit Corporation stocks of wheat, corn, oats, rye, barley, or grain sorghum have reached a normal level as defined by law. Commodities delivered to producers in redemption of payment in kind certificates shall not be eligible for price support. In order to assist producers in the establishment of soil conserving uses on cropland retired under the cropland adjustment program, the Secretary shall coordinate such program with the agricultural conservation program established pursuant to the Soil Conservation and Domestic Allotment Act, as amended (49 Stat. 163, 16 U.S.C. 590 et seq.).

TERMS AND CONDITIONS OF CONTRACTS WITH PRODUCERS

SEC. 102. (a) Under any cropland adjustment contract the producer shall agree:

(1) To establish and main, with proper management for the contract period, protective vegetative cover (including but not limited to grass and trees), water storage facilities, or other soil-, water-, wildlife-, or forest-conserving uses on a specifically designated acreage of land on the farm regularly used in the production of crops (including crops, such as tame hay, alfalfa, and clovers, which do not require annual tillage).

(2) To allow to remain fallow and idle, throughout the contract period, an acreage of the remaining land on the farm which is not less than the acreage normally allowed to remain fallow and idle on such remaining acreage.

(3) Not to harvest any crop from the acreage established in protective vegetative cover, excepting timber (in accordance with sound forestry management), and wildlife or other natural products of such acreage which do not increase supplies of feed for domestic animals.

(4) Not to graze any acreage established in protective vegetative cover.

(5) Not to adopt any practice, or divert lands on the farm from conservation, woods, grazing, or other noncropland use, to any use specified by the Secretary in the contract as a practice or use which would tend to defeat the purposes of the contract.

(6) To such additional provisions as the Secretary determines are desirable and includes in the contract to effectuate the purposes of this title and to facilitate the practical administration of the cropland adjustment program, including provisions relating to control of noxious weeds.

(b) In the event that the Secretary determines that there has been a violation of the contract (including the prohibition of grazing on retired acreage) at any stage during the time such producer has control of the farm and that such violation is of such a substantial nature as to warrant termination of the contract, to forfeit all rights to payments or grants under the contract, and to refund to the United States all payments and grants received by him thereunder, including eligibility for price support on wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax. In the event that the Secretary determines that there has been a violation of the contract but that such violation is of such a nature as not to warrant termination of the contract, to accept such payment adjustments, forfeit such benefits, and make such refunds to the United States of payments and benefits received by him, under the contract, as the Secretary may determine to be appropriate.

SEC. 103. The Soil Bank Act, as amended (70 Stat. 188; 7 U.S.C. 1801 et seq.), is amended as follows:

ADMINISTRATIVE AND JUDICIAL REMEDY

(1) The first sentence of section 107(d) of such Act (7 U.S.C. 1831(d)) is amended by adding after the words "paragraph (6) of subsection (a)" the phrase "or under section 102(b) of the Cropland Adjustment Act of 1961".

EFFECT ON OTHER PROGRAMS

(2) Section 112 of such Act (7 U.S.C. 1836) is amended by adding after the words "under this subtitle" each time it appears therein the phrase "or under title I of the Cropland Adjustment Act of 1961".

GEOGRAPHIC APPLICABILITY

(3) Section 113 of such Act (7 U.S.C. 1837) is amended by adding after the words "subtitle B" the phrase "and title I of the Cropland Adjustment Act of 1961".

REAPPORTIONMENT PROHIBITED

(4) Section 115 of such Act (7 U.S.C. 1803) is amended by adding after the words "conservation reserve programs" the phrase "or the cropland adjustment program established pursuant to title I of the Cropland Adjustment Act of 1961".

UTILIZATION OF LOCAL AND STATE COMMITTEES

(5) Section 117 of such Act (7 U.S.C. 1805) is amended by adding after the words "this title" the phrase "or title I of the Cropland Adjustment Act of 1961".

UTILIZATION OF OTHER AGENCIES

(6) Section 118 of such Act (7 U.S.C. 1806) is amended by adding after the words "this title" the phrase "or title I of the Cropland Adjustment Act of 1961".

UTILIZATION OF LAND USE CAPABILITY DATA

(7) Section 119 of such Act (7 U.S.C. 1807) is amended by adding after the words "this title" the phrase "or title I of the Cropland Adjustment Act of 1961".

FINALITY OF DETERMINATION

(8) Section 121 of such Act (7 U.S.C. 1809) is amended by adding after the words "this title" the phrase "or under title I of the Cropland Adjustment Act of 1961".

PROTECTION OF TENANTS AND SHARECROPPERS

(9) Section 122 of such Act (7 U.S.C. 1810) is amended by adding after the words "this title" the phrase "or under title I of the Cropland Adjustment Act of 1961".

PENALTY FOR GRAZING OR HARVESTING

(10) Section 123 of such Act (7 U.S.C. 1811) is amended by adding after the words "section 103 or 107" the phrase "or under title I of the Cropland Adjustment Act of 1961".

POOLING OF CROPLAND ADJUSTMENT LAND

(11) Section 126 of such Act (7 U.S.C. 1814) is amended by adding after the words "conservation reserve program" the phrase "or in the cropland adjustment program established pursuant to title I of the Cropland Adjustment Act of 1961".

INCORRECT INFORMATION FURNISHED BY THE GOVERNMENT—MARRIAGE OF PRODUCERS

(12) Section 128 of such Act (7 U.S.C. 1816) is amended by adding after the words "conservation reserve program" the phrase "or the cropland adjustment program established pursuant to title I of the Cropland Adjustment Act of 1961".

AUTHORIZED PERIOD OF CONTRACT AND EXPENDITURE—APPROPRIATIONS

SEC. 104. (a) the Secretary is authorized to formulate and announce programs under this title and to enter into contracts thereunder with producers during the three-year period 1962–1964 to be carried out during the period ending not later than December 31, 1973, except that contracts for establishment of tree cover may continue until December 31, 1978.

(b) The period covered by any contract shall not exceed ten years except that contracts for the establishment of tree cover may extend for fifteen years.

(c) There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such amounts as may be required to reimburse the Commodity Credit Corporation for its actual costs incurred under the payment-in-kind program established by this title.

TERMINATION AND MODIFICATION OF CONTRACTS

SEC. 105. The Secretary may terminate any contract with a producer by mutual agreement with the producer if the Secretary determines that such termination would be in the public interest. The Secretary may agree to such modification of contracts previously entered into as he may determine to be desirable to carry out the purposes of this title and to facilitate the practical administration of the cropland adjustment program.

REGULATIONS

SEC. 106. The Secretary shall prescribe such regulations as he determines necessary to carry out the provisions of this title.

TITLE II—REPEAL OF ACREAGE ALLOTMENTS AND MARKETING QUOTAS ON WHEAT—PRICE SUPPORTS ON WHEAT, CORN, OATS, RYE, BARLEY, AND GRAIN SORGHUM

REPEAL OF ACREAGE ALLOTMENTS AND MARKETING QUOTAS ON WHEAT

SEC. 201. The Agricultural Adjustment Act of 1938, as amended (52 Stat. 31; 7 U.S.C. 1281 et seq.), is amended by adding the following new section after section 338:

"SEC. 339. Notwithstanding any other provision of law, acreage allotments and marketing quotas shall not be established for the 1962 and subsequent crops of wheat."

PRICE SUPPORT ON OATS, RYE, BARLEY, AND GRAIN SORGHUM

SEC. 202. Section 105(b) of the Agricultural Act of 1949, as amended (7 U.S.C. 1441 note), is hereby repealed.

PRICE SUPPORT ON WHEAT, OATS, RYE, BARLEY, AND GRAIN SORGHUM

SEC. 203. Title I of the Agricultural Act of 1949, as amended, is further amended by adding at the end thereof the following new section:

"SEC. 107. Notwithstanding sections 101 and 301 of this Act, the level of price support for the 1962 and subsequent crops of wheat, oats, rye, barley, and grain sorghum shall be based on the support level for corn for the same crop year, with reasonable adjustments, as determined by the Secretary, for differences in weight, nutritive value, and buyer preference, with the objective of restoring the pricing of such commodities to market conditions as rapidly as possible: *Provided*, That the support price for wheat of the 1962 crop shall not be less than 120 per centum of the support price for corn of the 1962 crop."

TITLE III—GENERAL PROVISIONS

FEDERAL IRRIGATION, DRAINAGE, AND FLOOD CONTROL PROJECTS

SEC. 301. Section 211 of the Agricultural Act of 1956, as amended (7 U.S.C. 1860), as amended (1) by striking "three years" each time it appears therein and inserting in lieu thereof "nine years", and (2) by adding after the words "soil-bank provisions of this act" in subsection (b) the phrase "and under title I of the Cropland Adjustment Act of 1961".

RESTRICTIONS ON SALES BY THE COMMODITY CREDIT CORPORATION

SEC. 302. Section 407 of the Agricultural Act of 1949, as amended (7 U.S.C. 1427), is amended by adding at the end of the third sentence the following:

"*Provided further*, That, effective July 1, 1962, and until Commodity Credit Corporation stocks of wheat, corn, oats, rye, barley, grain sorghum, soybeans, and flax have reached a normal level as defined by law, the Corporation shall not make any net sales of such commodities for domestic use at less than 125 per centum of the current support price for such commodities, plus reasonable carrying charges."

PURPOSE AND EXPLANATION OF THE PROPOSED CROPLAND ADJUSTMENT ACT OF 1961

PURPOSE OF THE BILL

The purpose of the bill is to bring the supplies of wheat and other grains in line with current demand so that the surplus of these commodities can be reduced; farm prices and per family income increased; and the tax cost of farm programs decreased.

EXPLANATION OF THE BILL

(1) The Secretary of Agriculture shall determine annually the overall acreage adjustment of feed grains, wheat, soybeans, and flax necessary to bring the total estimated annual production plus the anticipated release from Commodity Credit Corporation stocks in line with anticipated disappearance. The Secretary shall also establish annually the percentage of cropland which must be placed under contract to qualify for price support on these commodities.

(2) To be eligible for price supports on wheat, feed grains, soybeans, and flax, producers must participate in the cropland adjustment program. Cropland already in a retirement program shall be counted in determining compliance with this requirement. Producers of other commodities may also participate. (Whole farm participation should be encouraged.) Any cropland retired under the program in excess of the minimum requirement for price support must be placed under contract for at least 3 years.

(3) Cropland adjustment payments shall be made at a level which will encourage sufficient voluntary participation to attain the desired adjustment.

(4) Adjustment payments may be made in cash or in kind. Emphasis should be placed on payment in kind, with care to minimize disturbance of the market price structure for grain.

(5) Cropland retired under this program must be in addition to land normally left idle or fallowed.

(6) Acreage retired under the program may not be harvested or grazed.

(7) A maximum limit shall be placed on the percentage of cropland acreage that may be retired in any county after allowing for the minimum acreage required for price support. Acreage retired under previous programs shall not prevent participation in the annual adjustment programs.

(8) Wheat acreage allotments shall be terminated.

(9) The price support level on corn shall be left unchanged and related to the average price received by farmers during the immediately preceding 3 years with a floor of 65 percent of parity, the same as the Agricultural Act of 1958. The support levels for other feed grains and wheat shall be comparable to the level for corn with adjustments for differences in weight, nutritive value, buyer preference, and supply-demand conditions. The support price for wheat of the 1962 crop shall not be less than 120 percent of the support price for corn of the 1962 crop.

(10) Adequate measures shall be taken to protect farmers from the competition of the Commodity Credit Corporation sales from accumulated stocks.

The cropland adjustment program outlined above proposes to remove a basic cause of continuing low farm income by starting an immediate reduction of the agricultural productive plant to a size which will better fit farm output to market needs and open the way to orderly liquidation of accumulated Government stocks. It provides for voluntary participation by producers of all crops but requires producers who wish to qualify for price support on wheat, feed grains, soybeans, and flax to participate. Greatest emphasis is placed on the retirement of land from wheat and feed grains as these crops are in most serious surplus difficulty.

The attached table shows approximate cropland acreage nationally, how the acreage is currently being used, and what the status of land devoted to specified crops would be under the proposed adjustment program.

*U.S. cropland acreage grouped by principal uses***Group A: To be supported (without acreage controls) ¹**

(Producers of these commodities desiring price support must participate in the proposed cropland adjustment program.)

	<i>Planted acreage (thousands)</i>
Corn (all)-----	82,906
Wheat (all ²)-----	55,633
Oats, barley, rye-----	52,177
Sorghum (for grain)-----	15,444
Soybeans (for beans)-----	23,516
Flax (all)-----	3,527
Subtotal, group A-----	<u>233,203</u>

Group B: To be supported (with acreage controls) ¹:

(Participation in the proposed cropland adjustment program is not required for price support on these commodities.)

Cotton-----	16,068
Rice-----	1,614
Peanuts-----	1,579
Tobacco-----	1,144

Subtotal—Group B----- 20,405

Group C: Other crops and uses ³

Conservation reserve-----	⁴ 28,432
Hay, cropland pasture, other crops, fallow, idle, failure, etc-----	<u>177,609</u>

Total cropland, all uses ³----- 459,649¹ Planted acreage for 1960 as reported by USDA.² Currently supported and controlled, but controls to be terminated under Farm Bureau proposals.³ 1954 U.S. Census of Agriculture—data now used by USDA in land retirement computations. New census data to be available in about 6 months.⁴ Under contract in 1960.

Under the proposed bill all land listed in the table under groups A, B, and C—except for an amount in group C equal to that which is customarily summer fallowed or left idle—would be eligible for the land retirement program on a voluntary basis.

Mr. SHUMAN. I had an opportunity in the last few days to sound out farmer opinion in several parts of the country by actual contact. Practically all of the farmers that I have talked to agree that this is a pig-in-the-poke kind of legislation. It provides blank checks to the Secretary. It leaves many unanswered problems. It will reduce, not increase, farm income. It will seriously endanger our livestock, poultry, and dairy farmers' markets and their income.

The taxpayers' cost will not be hundreds of millions but billions of dollars. It does not approach the really serious problems in agriculture. It is compulsory, not voluntary. It is the kind of a pipe-dream that some college professor could have dreamed up, especially if he was radically opposed to the market price system. It is not the kind of a thing that a farmer with dirt on his shoes would conceive of.

Our bill, on the other hand, is workable. It will increase farm income. It will move toward a return to the market price system rather than depend upon Government price fixing and drastic controls.

I appreciate the opportunity, Mr. Chairman. I will be glad to answer any questions.

Mr. POAGE. Chairman Cooley wants to ask a question.

Mr. COOLEY. Mr. Shuman, I do not see how you could have discussed this proposal very generally throughout the country.

It was only released about 5 days ago, and the bill was introduced here about 3 days ago.

Mr. POAGE. Right.

Mr. SHUMAN. Mr. Chairman, I did not say that I had discussed it generally. I had had an opportunity to discuss it with a rather sizable number of farmers in different parts of the country.

Mr. COOLEY. You talk like you talked to somebody with dirt on their feet or, something.

Mr. SHUMAN. I have.

Mr. COOLEY. You have denounced this proposal and, as the head of the American Farm Bureau Federation, what do you propose in lieu thereof?

Mr. SHUMAN. We have a bill that has been introduced and we are submitting herewith copies of that bill.

Mr. COOLEY. To go into effect in 1962?

Mr. SHUMAN. Yes, sir.

Mr. COOLEY. What I am talking about is: We are faced with a bad situation right now. If we are to believe these figures that the Secretary presented to the committee, if we do nothing, it is going to cost \$1.5 billion.

Now, he has proposed to do something about it. This committee has some responsibility, and you, as a leader of a great farm organization, have some responsibility. It does not seem to me that either one of us would be discharging our responsibilities just to denounce something that has been proposed, after a study has been made, based upon the findings of the study group.

Now, you denounce it and come here and say, "Let us get ready for 1962." But you propose nothing for 1961.

You know that we could not possibly put through general legislation dealing with wheat and corn and feed grains all in the next 30 days.

Now, if we are going to do anything in 1961, we must do it in the next 30 days, and this seems to me to be the last and the only hope. But you have just denounced it categorically as some sort of a pipe-dream by a college professor.

Everybody knows whom you are talking about. You are directing your remarks, of course, to Mr. Cochrane. I am not going to ask you who prepared yours. I do not care whether it was a college professor or a man with dirt on his feet. You come here now to knock down this thing, and not to help this committee get ready for 1961.

If you have a proposal for 1961, that is what I would like to hear you talk about. But to say something about a general bill that is applicable only to 1962 is not relieving the situation at all, you know it is going to deteriorate and the problem will be aggravated with the harvest of this next crop. Now, here is a voluntary program.

If we have been trying to shackle the farmers of America by some sort of controls, quotas, I could easily see how you might complain. But why would you complain about offering a program to the farmers and letting them say whether they want it or do not want it?

Mr. SHUMAN. Mr. Cooley, the proposal is not voluntary. It is compulsory because it gives the Secretary unlimited powers and he has indicated in several instances that he intends to use them to force farmers to comply, so it is a compulsory program.

Mr. COOLEY. How can he force them to comply with a program that is completely voluntary?

Mr. SHUMAN. By driving the market price down, he can force every farmer who produces feed grain to comply.

Mr. COOLEY. Well, he still has this \$9.5 billion worth of commodities in storage; he could beat the prices down now, if he wanted to.

Mr. SHUMAN. No; not under the present legislation. It is not permitted to sell these below certain levels.

Mr. COOLEY. The same situation would be true, if we pass this bill.

Mr. SHUMAN. No, no.

This provides certain very important exceptions where he can sell enough of the supplies to finance the payment-in-kind and also—well, there is enough exception in here to provide him all the leeway he needs to force prices down.

Mr. COOLEY. Why do you not propose an amendment to prevent that, rather than just knocking down the whole proposition?

Mr. SHUMAN. Let me address the answer to the most important part of your question, which was:

Why do we not do something now?

Well, now we have had experience with the Congress, and we know that it takes time, as you indicated, to draft and to secure adoption of legislation.

It takes time, after it is adopted, to get it into operation.

It is already too late to do anything about the feed grain situation for 1961, and it would be a tremendous mistake if we make it worse instead of better, and that is just exactly what this legislation will do.

It will make it worse. These are forces in operation, and I disagree entirely with your statement that the situation in feed grains will get worse this year.

With the present market price for soybeans, there is not going to be the pressure on feed grain production that there is going to be on soybean production. The situation has a very good chance, as far as feed grains, to get better.

The real problem, and the one that is not going to get better, is wheat, with the price incentive that is provided there.

And so we think that the only sound way to approach the solution to this problem is to try to get legislation, which it is already late to get even for wheat.

We need to get this legislation passed by this Congress. And the two fit together because about 30 percent or more of the wheat, and probably a far greater percentage of that in storage is feed grain.

Mr. COOLEY. I do not argue that point with you because I am inclined to agree with you, and I would like very much to deal with wheat and corn and feed grains at the same time, if possible; but it does not seem to me it is possible within the limited time in which we are working to do anything in 1961.

In other words, if I understand it, we are now faced with a situation that you think is going to get better, the Secretary thinks is going to get worse, and you have nothing to propose for 1961.

You are unwilling to take the Secretary's proposals or let us try to perfect those.

If you think there are some dangerous provisions in this, why could this committee not consider your suggestions to improve those provisions?

If we need some safeguards, let us have those.

Mr. SHUMAN. We would be very happy that the committee take our suggestions and put them alongside, and where there are areas of agreement, incorporate them.

We would just as well approach the solution to this whole package of feed grains at one time, and that includes wheat.

Mr. COOLEY. I understand, but you know the problems we have had in dealing with wheat. We have a Wheat Subcommittee which has worked faithfully and diligently on wheat. We sent one bill to the White House which was vetoed.

We considered about every proposal which has been submitted or can be conceived of, and you know that if we started on wheat now, we might as well throw up our hands trying to do anything for corn and feed grains.

Mr. SHUMAN. No. I do not accept this, because I think that there is an excellent chance, if we can pull the two together, that the Congress can find a satisfactory approach, and I think it is a far better opportunity to find a satisfactory approach if we bring them together than if it is separately, and I am convinced that this can be done.

Mr. COOLEY. You might be right, if we took the rest of the session to do something, and that is what this committee proposes to do—to try to do something about wheat.

I think it is the greatest problem we have; I agree with you. But you also have a problem in this area that we are talking about now, and how could you expect to get your bill through here, if nobody else supports it but you?

Mr. SHUMAN. I think there will be plenty of folks support it when they understand the difference between what is proposed here and what we propose, and I am not a bit afraid of the Congress, when they study it, coming up with the sound answer.

Mr. COOLEY. Your bill is so far more comprehensive than this one. This deals with one area of agriculture.

Mr. SHUMAN. Our bill is comprehensive, but not complicated. This is complicated and extremely dangerous. This will manipulate prices.

It is the first time that the Department of Agriculture, as far as I can find, has ever been given the authority to move into the grain trade to manipulate prices and Members of Congress several times have indicated to me they did not think anybody, including Members of Congress, were smart enough to buck the grain trade in this business of trying to get a corner on the market of grain.

That is exactly what this puts the Department of Agriculture in position to do.

Mr. COOLEY. If you could work out some language that the committee might consider to prevent the manipulation of the market which you are afraid of—

Mr. SHUMAN. We have this in our bill that has enough points of similarity in the agreement that we need to retire cropland acres that I do not think that it is impossible at all to move rather rapidly toward solution of both the feed grain and the wheat problem.

Mr. COOLEY. My recollection in going over your proposal and that of Mr. Lynn and others is that, it too, is a voluntary program, is it not?

Mr. SHUMAN. Yes; it is voluntary.

Mr. COOLEY. And it contemplates the retirement of acreage?

Mr. SHUMAN. Yes; cropland.

Mr. COOLEY. Does it not have an incentive payment?

Mr. SHUMAN. Yes; we have—

Mr. COOLEY. Payment in kind?

Mr. SHUMAN. We have a provision for payment in kind for cash payments. To this extent, these two proposals have a lot of similarity. That is why I say they can be—

Mr. COOLEY. That is the reason it surprises me when you denounce the whole proposal, because I remember you have voluntary retirement acreage and payment in kind and the whole thing is supposed to be worked on a voluntary basis just like the bill which has been proposed here.

Now, if you could give us some safeguards to put into this bill dealing now only with corn, I can assure you and your organization members that this committee intends to tackle the problem of wheat.

Mr. SHUMAN. Well, we would be very glad to cooperate with the committee in suggesting what sections of the present proposal to delete and what sections of ours to put in. For instance, here is one that is very important to farmers. Under the administration proposal, there is a ceiling on the price which farmers can get for their corn or feed grain, definitely a ceiling, because they are going to manipulate the market price down, and they are going to get \$1.20 and not 1 cent more.

Now, the whole concept of agricultural legislation, price-support legislation, since the act of 1938, has been to provide a floor beyond which the price can move upward, if it was justified in market conditions.

Now, we propose in our legislation that the trip point, instead of being at the discretion of the Secretary, to beat prices down to force compliance would be 125 percent of parity, of price support, I beg your pardon.

Mr. COOLEY. Would you accept Mr. Hoeven's suggestion that we strike out the figures and put in some discretionary authority?

Mr. SHUMAN. Not on price supports. We have never believed in discretion on price supports.

Mr. COOLEY. You just want 90 percent of the average price in the last 3 years?

Mr. SHUMAN. And 65 percent as the present act provides.

Mr. COOLEY. You want that and you will not take anything else?

Mr. SHUMAN. Oh, this is not our attitude at any time. We are for what we are for, and we will work as hard as we can.

Mr. COOLEY. Mr. Hoeven made a suggestion that we strike out this figure. You do not like the figure. He said let us strike it out and give some discretion to somebody and you do not like that?

Mr. SHUMAN. No.

Our policies are very strongly against giving price support decision discretion on these basic crops to—we think the Congress is the only place to resolve these battles.

Mr. COOLEY. Even for a few months in an emergency like we have?

Mr. SHUMAN. That is correct. There is not a real drastic emergency, as far as feed grains. The real emergency is wheat.

Mr. COOLEY. What is corn selling for now; about 75 cents a bushel in some places; is it not?

Mr. SHUMAN. I do not know of any place in the United States you can buy a bushel of good quality corn for 75 cents.

Mr. COOLEY. Somebody told me that this week it sold for 75 cents a bushel.

Mr. SHUMAN. It must have been out of condition.

Mr. COOLEY. What is it bringing out your way, 85?

Mr. SHUMAN. Oh, it is in the neighborhood of \$1 a bushel for good quality corn.

Mr. COOLEY. Do you think farmers can make a living on that?

Mr. SHUMAN. Many of them are doing very well.

Mr. COOLEY. In other words, you are satisfied with the price that the farmers are getting for corn?

Mr. SHUMAN. No; of course not.

As a farmer, I am always wanting more. I am not satisfied with the price, and I think that under the proposal that we make the price support of corn would go up and average higher than it is now.

But the present situation, with the guarantee—and the guarantee feature of these programs is what is creating some of the pressure for increased production. It is not because the price support is too high. It is because it is assured, and it takes out one of the variables.

Mr. COOLEY. And you will not go for marketing quotas or acreage allotments on anything, corn or feed grains?

Mr. SHUMAN. Not on corn.

Mr. COOLEY. On wheat?

Mr. SHUMAN. We are for continuation of the allotment or the quota program on tobacco. We are opposed to the use of allotments for wheat because they have not worked.

Mr. COOLEY. I am not going to keep you, Mr. Chairman, but 1 more minute.

On tobacco, you mentioned it. It is the only commodity that has a fixed, firm floor provided by act of Congress, and it is the best working program we have had, or ever will have.

Mr. SHUMAN. Well, it is one of the few commodities in American agriculture that cannot be substituted for, and that is the reason.

Mr. COOLEY. Peanuts; we have got it pretty well on peanuts.

Mr. SHUMAN. I do not think you had better look at the history of peanut production in the United States. You will find that it is not a very happy situation.

Now, tobacco cannot be substituted for. It is the kind of a crop that can be subjected to quota.

Mr. COOLEY. That is all I have, Mr. Chairman.

Mr. POAGE. Thank you, Mr. Chairman.

Are there further questions?

Mr. Jennings?

Mr. JENNINGS. As I understand it, you prefer the present program to the one that has been proposed in this bill?

Mr. SHUMAN. For 1961, but we are not happy to continue it.

Mr. JENNINGS. For 1961, you prefer the present program?

Mr. SHUMAN. That is right.

Mr. JENNINGS. Of buildups?

Mr. SHUMAN. That is right.

Mr. POAGE. Are there any further questions?

Mr. Hoeven?

Mr. HOEVEN. Mr. Shuman, I do not want to be repetitious, but let me get your opinion about giving the Secretary discretionary authority to fix the support price of corn.

I doubt the advisability of pegging corn at a certain price, and I am just wondering, when the chips are down, which method you prefer: pegging the price or giving the Secretary discretionary authority?

Mr. SHUMAN. Well, we would propose leaving the Act of 1938 the way it is, which does not peg the price, if we make the adjustment.

We are proposing a crop adjustment program which will not permit farmers to shift around as this proposal does. This is one of the tremendous weaknesses in this proposal. There is nothing in here to keep farmers from bringing in new land or land which has been in hay or grass to increase their feed production or increase their soybean production, and our proposal is to reduce the percentage of cropland.

We think this would cut down on the production and provide an opportunity for prices to move up.

Mr. HOEVEN. I again want to express my concern about dumping Commodity Credit corn on the market, and I concur with you fully. I think it is a dangerous procedure.

Mr. Shuman, what would be your opinion as to the release of CCC corn at not less than the support level—now, 105 percent of parity?

Mr. SHUMAN. This, of course, is one of the areas where we depart very radically from the administration proposal which is to use Commodity Credit stocks to decrease prices.

Our proposal says that we should increase the point at which they can be sold to 125 percent of the price support. We are for increased prices to farmers, understand that. We are not for decrease in prices, and this administration bill is a price-decreasing type of operation.

It goes into the grain markets and makes the Commodity Credit a manipulator on the grain market, and you cannot win with these boys on this score.

Mr. HOEVEN. I am in accord with your views. If corn is released at the market price, the average corn farmer is going to put all his corn into Commodity Credit, he then is going out to buy cheap corn, which he will put into livestock and the net result will be cheap cattle and hogs.

Mr. SHUMAN. This bill, Congressman, would make it necessary for every corn feed grain producer to deliver his feed grain to the Government, and then turn around—there would be a transportation charge and cost of delivering it to the Government.

Then he would have to turn around and buy back his feed requirements.

This would put practically 100 percent of the feed grain through Government channels, and the cost of this operation to farmers has not even been figured in here.

Mr. HARVEY. Is there not a very great danger that in enacting an emergency bill, which we are all agreed that this administration proposal is, and knowing the usual propensity of Congress, that it would finally develop into a permanent program by the simple expedient of continuing extensions?

Mr. SHUMAN. I am a little amused at the idea that this would be temporary. Once this philosophy of using Commodity Credit stocks to depress prices to force farmers to come into a controlled and price-fixed concept is in operation, it will never be relinquished.

It is a permanent proposal; that is what it is; and do not let anyone kid you. This is a permanent proposal, and it is right down the line of the thinking of those who want to get all of agriculture under a price-fixing and control scheme.

It is not designed to move us out. It is designed to move all of agriculture. They want to get their hands on the livestock production in this country.

Mr. HARVEY. Thank you.

Mr. POAGE. Are there any further questions?

If not—

Mr. COAD. Yes, I would like to ask Mr. Shuman how he can prove this statement. I think he has made a very serious accusation here, or indictment.

Mr. POAGE. That is his opinion.

Mr. SHUMAN. We are here to express opinions. It is my opinion, but I think I can give reasonable proof of it by reading the well-documented history of those who want to control.

Our experience is ample proof, to me. We have had experience. Every time you move toward a control, when it fails, the folks who propose the control do not want to abandon the control. They move to greater controls. And so the act of 1961, as proposed here, would just be the entering wedge.

Mr. COAD. Well, that is strictly an opinion.

Mr. SHUMAN. Sure. But I think it is a well backed-up opinion by experience.

Mr. COAD. There are differences of opinion.

Mr. SHUMAN. Sure. In fact, this whole exercise is opinion because this proposal is such a departure from anything that we have had experience with that it is in the field of conjecture.

Mr. POAGE. We are very much obliged to you, Mr. Shuman.

Mr. SHUMAN. Thank you.

Mr. COOLEY. Mr. Chairman, will you just indulge me for one question. I apologize, but this is a very important point.

You indicate that under this legislation that the Secretary could flood the market with cheap feed and manipulate the market, and yet we are using corn, 104 percent of our production. In other words, 4 percent above the subsidy.

Mr. SHUMAN. Yes.

Mr. COOLEY. Four percent above consumption.

Mr. SHUMAN. Yes.

Mr. COOLEY. Now, even if you get small participation in this program, and if we reduced it down to, say, 99 percent, then there would not be any inflow of corn into Government hands. It would be flowing out of Government hands into the market and the farmer would sell it at the market price.

Mr. SHUMAN. In the first place, under this proposal—it is based again on experience—it is my opinion that there will be little, if any, reduction in production of corn and feed grains.

The incentive by increased price is so great, and the opportunity to bring in additional land to substitute for hay and other crops which presumably—and the fertilizer, the incentive put on fertilizer.

We are only using about 30 percent of the amount of fertilizer we could use on corn, and under this program we will put on 70 or 80 percent of the amount that would be possible, and, of course, we are provided with ample payments to buy that fertilizer.

Under this proposal the payments for the retired acres are plenty to buy adequate amounts of fertilizer.

Mr. COOLEY. In other words, you just do not think a voluntary program will work?

Mr. SHUMAN. No, I believe a voluntary program will work, but this is a program of forced device to force prices down and force farmers—about 80 percent, maybe 75 percent, of the corn and feed grains is used in the area where produced.

Now, how can anyone justify a program of this kind, which is forcing farmers to haul that 80—75 or 80—percent to market, and then turn around and buy it back? And can the Congress defend to the taxpayers of this country a program which says to the farmer:

“You sell the grain and we will sell it back to you cheaper?”

That is, in effect, what this does.

Mr. COOLEY. I do not understand it that way. I will not go on any further.

Mr. POAGE. Mr. Chairman, may I just attempt to answer Mr. Shuman on that.

I think it is right clear that the program we have been living under has been piling up surpluses in spite of the fact that in 1958, I believe, Mr. McLain did not think that it would, and I believe if I read the record correctly, that you owe me a supper, Mr. McLain, for I believe you offered to buy it for me if we continued to pile up corn under this program which we adopted at your request in 1958. But we have certainly been piling up surpluses since that time with these low supports.

Now, then, we are told:

“Why, let us take more of the same medicine and do the same sort of thing.”

And he asks now:

“Why should anybody be so silly as to adopt a program that is going to have the Government take in this corn and then have somebody take it out and store the same amount?”

One reason is that we have to rotate those stocks and why should we not just as well take in this year's crop and pull out last year's crop, as to let last year's crop stay there and spoil on your lands as we have been doing, and then sell it to you—I do not mean Charley Shuman, but I mean to any of us—to sell it to farmers for a great deal less than the support price?

Why should we not try to keep good corn in storage, instead of having the tremendous losses which we have been having of spoilage? Why should we not keep that corn in condition?

And the only way you could do that is put in new stocks and take out your old.

If this creates an orderly method of taking out the old grain and using it, and holding the new grain for a year, while it remains usable, it seems to me that it is a pretty smart idea.

Mr. SHUMAN. Mr. Chairman, the principle involved here is not defensible for two or three reasons.

Mr. POAGE. The practice is pretty defensible, though.

Mr. SHUMAN. No, no, it is not, because the delivery of the corn is not at the point where the stored corn has gone bad in most cases.

Where the corn is in heavy quantities is in these storage centers. The delivery point on this crop to the farmer is going to be the nearest elevator point.

Mr. POAGE. But ultimately that stuff in storage has got to go back to that nearest elevator point to be used. That corn which is now in storage has got to go back on to the farms to be used, and is moving back right today but as "out of condition."

I would rather move it in condition than to move it out of condition.

It is a question of whether you want to keep your corn in condition or whether you want to keep it in storage long enough that you can buy it at a discount price.

I know there are vested interests that want to buy this corn at discount prices, and I know there are people right in this room who want this corn to go out of condition just enough so that they can buy it for a good deal less than the support price on it.

Of course, there is lots of support for that sort of thing, but, to my mind, that is just about as foolish as anything that you have suggested that we might support.

Mr. SHUMAN. Well, talk about vested interest, the principle of this thing is what you are going to have to defend, and I do not think any Member of Congress, and certainly no officer of any farm organization, can defend the principle before the consuming public, before the taxpayers, and before other farmers, the principle of paying 70 or 80 percent of the farmers a certain price, taking that corn and feed grain, and then letting them go back to the Government and buy a comparable quantity to feed at a much lower price.

This principle cannot be defended.

Mr. POAGE. Except that under the bill we are operating under, which you supported and which you now tell us is much better than this legislation, we are doing that sort of thing.

We are selling it as corn out of condition.

We are moving corn into storage and at the same time moving other corn out. We are doing that every day of the week. We are losing vast sums of money doing it, but we are covering it up and the public does not know what we are doing.

Of course, we could go right along and support this sort of thing because there is not a paper around there that is telling us how much of this corn is being sold "out of condition."

There is not one of them telling us what this present program is doing to us.

But we are coming out here with a program that is honest and that, on its face, tells what we are going to do. We are not trying to cover it up. We are trying to tell you in advance what we are going to do.

Mr. SHUMAN. Mr. Chairman, the principle of this is absolutely indefensible.

Now, I will admit that a few people have taken advantage of the past programs, but a very small percentage of the livestock people have sealed their corn and turned around and bought it back at a cheaper price.

I do not think over 5 percent of the livestock people have done this.

Now, this would make it almost mandatory for 100 percent of the livestock people to turn their corn production and their feed grain production over to the Government, and turn around and buy it back at a lower price.

And, in effect, they would get the same corn back. They would not get the off-condition corn because it would be too expensive to move this corn from the point of origin into a storage point and move the other back.

The only sensible way would be, as he delivered it to the elevator, to sign his slip and later turn right around and haul it back. That is the way it would work in practice. This is absolutely an indefensible principle.

Now, we are trying to be helpful, I think, to the administration and to the Congress to point out where you are going to be in trouble, and this is one that you cannot defend.

Mr. COAD. Mr. Chairman, I think that there is a fallacy in this kind of reasoning because you cannot have 100 percent, if your cattle feeders are sealing all of their grain, which is, admittedly, 80 percent of what is raised, and buying on the open market, because the statistics just would not allow that.

It is just not possible.

They have got to feed and utilize a part of what they have raised, because there is not going to be that much other available.

Mr. SHUMAN. I do not understand your reasoning, Congressman, because it is entirely possible—

Mr. COAD. Eighty percent of a year's supply is not in surplus, that is why.

So what you say is incorrect.

Mr. SHUMAN. Oh, they can move it in and move it out. I do not think you quite see the operation.

Mr. COAD. I think I understand it rather thoroughly.

Mr. SHUMAN. They would buy 100 percent of their needs for feeding, and they would sell 100 percent of their production to the Government under this proposal.

Mr. COAD. There is not an 80 percent supply that is available outside of this year's crop.

Mr. SHUMAN. Oh, yes; there would be.

Mr. COAD. Where is it?

Mr. SHUMAN. Take it in and take it back.

Mr. COAD. They cannot take it in and take it back.

Mr. SHUMAN. Why not?

Mr. COAD. Because they are not going to be able to buy the 1961 crop at this reduced price; that is why. It would be under seal.

Mr. SHUMAN. Nothing in here prevents them from buying it at reduced price. In fact, there is everything to indicate it will be.

Mr. COAD. If it is under seal, they would not buy it from the Government at a reduced price when it is under seal, and it has not been turned over to the Government on a loan. It is not going to be foreclosed on a loan.

Mr. SHUMAN. Oh, yes; the Government could do anything under this proposal that they wanted to and I think the sensible thing for them to do would be, when the feeder came to the elevator with his load of corn, to give him some kind of a demit that lets him turn around and haul it back.

Mr. COAD. The basic difference is that I have some faith in the Secretary of Agriculture and you do not.

Mr. SHUMAN. Oh, yes, I do. Yes, I do. I have not made any derogatory statement to the Secretary of Agriculture whatsoever.

Mr. COAD. I did not say you made a derogatory statement.

Mr. SHUMAN. I have faith in him. He is a very fine gentleman and a very conscientious man and I am going to defend him when he is right and attack him when he is wrong, to the best of my ability.

Mr. COAD. I think he is right in this and this is another variance of opinion.

Thank you, Mr. Chairman.

Mr. POAGE. Any further questions?

If not, we are very much obliged to you, Mr. Shuman. Thank you.

Mr. SHUMAN. Thank you.

Mr. POAGE. Now, it is possible that we may be able to move along here.

Mr. Fred Heinkel of the Missouri Farmers Association. We will be delighted to hear from you, Mr. Heinkel.

STATEMENT OF FRED HEINKEL, MISSOURI FARMERS ASSOCIATION

Mr. HEINKEL. Mr. Chairman and members of the committee, my name is Fred Heinkel of Columbia, Mo. I am president of the Missouri Farmers Association, and I also happen to be Chairman of the Special Feed Grain Study Committee appointed by Secretary Freeman.

I do not have any prepared statement because I came here only a short time ago, not knowing that this hearing was being held and transportation is not too good, so I came by train.

I do not have a prepared statement, so I shall take very little of your time.

I want to say at the outset that when Governor Freeman was appointed Secretary, I wired him my congratulations and offered him my help if at any time he thought I could be of help.

He called and asked me to serve as a member of this Feed Grain Study Committee and to serve as Chairman of it.

We agreed upon a date for the holding of the meeting of the Committee, which was January 27. It gave the members of the Committee rather short notice, but in spite of that, and the fact that some of them had illness in the family and there was bad weather and transportation conditions, 14 members of the Committee were present.

We went into session on Friday morning, January 27, and came out with a report that we agreed upon unanimously by 10:30 Saturday morning, January 28.

In spite of the fact that you hear much talk to the effect that farmers are unable to agree, they did agree unanimously on the report.

I would just like to say that I have never worked with a group of men that were more conscientious and dedicated to the proposition of trying to do something constructive to solve, or start in the direction of a solution to, a bad situation.

Each member of the Committee was asked to express his opinions and give his views, and they did this. And coming from their separate places scattered all the way from deep down in Texas near Lubbock, and from as far north as North Dakota, as far west as Lamar, Colo., and as far east as Virginia, to a man, they felt that we should move in the direction of trying to increase farm prices and farm income.

They felt that we should move in the direction of trying to stop the pileup of feed grains, corn and other feed grains; that it would require a cutback in acreage to do that.

Those were their basic, fundamental beliefs.

They felt that it was necessary that a program for 1961 be a voluntary program; that it, in effect, therefore, is an emergency program.

They were very deep in their conviction, however, that we needed a program for 1961; that the farm situation is rather desperate, and I might say at this juncture that I heard no derogatory remarks in this committee of things in the past.

They were recognized where we are and we are talking constructively in terms of how do we go forward. But they felt that we should have a program for 1961.

So they agreed that we should increase price supports and that those price supports should be—and they were very firm in their convictions that price supports should be available only to those who participate in a program and agree to reduce their acreage.

They felt that those who do participate in the program, in addition to having price supports available, should be paid a cash payment to seed those acres into soil-conserving uses.

Those are the essentials and fundamentals of the program that we agreed upon. It was agreed upon unanimously. We think the bill that has been presented here and with the suggestions that the Secretary offered yesterday is a good step in the right direction and we are for it.

Mr. POAGE. You are for this voluntary bill?

Mr. HEINKEL. Yes, sir; certainly.

Mr. POAGE. And as a temporary bill?

Mr. HEINKEL. Right.

Mr. POAGE. And as one which will reduce cost to the Government?

Mr. HEINKEL. We took that, Mr. Chairman—we did considerable figuring on that, and we had some very competent men to assist us, such as Dr. Wilcox with the Library of Congress, in addition to Dr. Cochrane. All of the members of the committee were concerned about that factor, and we felt very firmly that it would reduce the cost to the Government.

Mr. POAGE. And you feel that it will add at least something to farmer incomes?

Mr. HEINKEL. Yes, sir; we do. We calculated on that and we are convinced that it would.

Mr. POAGE. It seems to me those are the things that we want in anybody's bill.

Mr. HEINKEL. That is what this committee felt—as I said, coming from all parts of the feed grain producing areas of the Nation—were important to be embodied in a bill at this time.

Mr. POAGE. Let me ask you about one other matter. We have got to work out a date. I think you are so right about the basic ideas.

As a matter of detail, what do you think—I am sure you must have thought otherwise, but what do you think now about the idea of taking the minor feed grains out of this 1-year bill?

Mr. HEINKEL. Yes; we rather agreed to take them out, certainly in all the major corn and milo producing areas of the country.

Mr. POAGE. You cannot very well pass a bill that is effective one way in Georgia and another way in Wisconsin can you?

Mr. HEINKEL. I appreciate that.

I think that would be rather difficult. I would be agreeable—and, again, I cannot speak for the committee on this, but as a member of the committee and the fellow who happened to be chairman, I would be agreeable—to doing that.

Mr. POAGE. You, of course, do not represent a very large grain sorghum area, but what would be your opinion of the suggestion that was made here yesterday that instead of using this very long and complicated formula, which nobody can exactly understand that we simply say that grain sorghum shall be supported at 95 percent of the value of corn—just fix the support price of grain sorghum at 95 percent of that of corn?

Mr. HEINKEL. I would think it would be agreeable.

Mr. POAGE. Would it not simplify the administration?

Mr. HEINKEL. Yes, sir.

Mr. POAGE. And make it more understandable to producers, too?

Mr. HEINKEL. And I think an emergency bill, as this is—and it is a rather hurry-up proposition—the more we can simplify it, the better.

Mr. POAGE. Thank you very much.

Yes, Mr. Quie?

Mr. QUIE. Was it the task force suggestion that section 3 be a part of the bill, allowing the Secretary to sell at less than the support level?

Mr. HEINKEL. We discussed that; yes.

Mr. QUIE. You know, prior to the amendment, at least, that was offered yesterday, it would ruin market prices as we know it now, but I still have some doubts about it.

Mr. HEINKEL. Well, I think the amendment that was added yesterday—the suggestion is a good one and ought to be incorporated.

We were less concerned about that feature of the bill than we were some of the others, because we have enough confidence in the people that are administering the program that I do not think they would use those stocks to destroy the market.

They seem to be of the opinion that they want to help and increase farm prices, rather than to destroy them or lower them.

Mr. QUIE. If the impression was known around the country that they want to help market prices, rather than destroy them, then the

action of section 3 as further inducement for farmers to comply with the program would no longer exist; is that right?

Mr. HEINKEL. No; I would not agree that that is the case.

After all, the Secretary, as you, I am sure, are aware, being a Member of the Congress, cannot raise the support price above 65 percent of parity at the present time, or 75 percent.

Mr. QUIE. We are not talking about the present program. We are talking about the new proposed program that goes into effect.

Then I understand the price support would be \$1.20.

Mr. HEINKEL. Right.

Mr. QUIE. The new amendment, if it goes into effect, also would allow him to sell all of CCC stocks for the present support level or \$1.05.

So my question is this:

Since the Secretary would do this in order to cause the farmers to look at the price that they could receive at the market price, and if they suspect that the Secretary would demoralize the market price, then they would be more likely to comply. But you say you have a lot of faith in the Secretary; that he will not try to demoralize the market price; he will try and bring it up.

Then the incentive no longer exists; does it?

Mr. HEINKEL. Well, I think the incentive is naturally built in the program in the form of an increased price support, and in these cash payments to convert his acreage to soil-conserving crops, and the fact that only the participant in the program would have the price supports available to him.

Mr. QUIE. I fully agree with you there. I introduced a bill that would do exactly the same thing as that. But there is one part of this bill that I have great fear of, which will change the present concept where we protect market prices from CCC stocks. The very fact that they are in stock demoralizes the market enough.

We changed the law so that in 1961, under the cotton program, the CCC stocks cannot go back on to the market for less than 115 percent of support level, plus reasonable carrying charges.

Now, we are changing that completely to an altogether new concept in the way the Secretary can handle the CCC stocks of corn.

Mr. HEINKEL. After all, I do represent 152,000 farmers in my State, and we are willing to go along with this bill with this assurance in there that they will not be sold at less than the present support level.

Mr. SHORT. Will the gentleman yield?

Mr. QUIE. Yes.

Mr. SHORT. Mr. Heinkel, there is one other aspect of this release of Commodity Credit stocks that, it seems to me, we have to give a great deal of consideration. Now, in the provisions of the bill, as I understand them, in the securing of cash to repay the farmer for this second 20 percent of his land that he is going to retire, the money to pay those farmers in cash for their land retirement must be secured by the sale of Commodity Credit stocks, and there is no provision in the law that says they must be sold for the present \$1.06 or \$1.20 or 90 percent of parity, or anything else.

It says they must be sold—period.

Now, does that not put the Secretary in the position of having to sell a certain amount of Commodity Credit grains to secure this money, regardless of what he receives for it on the market?

Mr. HEINKEL. Only if he runs out of cash, of course.

Mr. SHORT. But what other source of cash does he have?

Mr. HEINKEL. And if the Congress, if this committee feels that there ought to be some safeguards in there, I would certainly be agreeable to this same feature being added to the grain that must be disposed of to meet those payments-in-kind.

Mr. SHORT. Would that not be a self-defeating aspect of the bill, sir?

Would it not tie the Secretary's hands in his ability to secure the funds to pay these farmers that have retired this additional 20 percent of their land?

Mr. HEINKEL. Well, assuming that the corn price would not move up, it might; but I doubt that. I think this will have the effect of the corn price moving up, this \$1.20 support.

I think with the great livestock numbers that we have in this country, you are going to see farmers start building up a stockpile of corn and other feed grains. It is my judgment, for whatever it is worth, that we will see feed grain prices moving up.

Mr. SHORT. Did I understand you to say that you think the farmers will be encouraged to build up a stockpile of feed grains?

Mr. HEINKEL. I do not know as I said that they would be encouraged. I think, as reasonably good businessmen, they would do that.

Mr. SHORT. Would the better business practice not be to avail themselves of the presently proposed \$1.20 price? That would be something they would be sure of that would not be a completely imponderable projection as to what they were going to be able to get for this grain by feeding it to livestock.

It seems to me, being a farmer myself, I would be inclined to take advantage of the positive opportunity offered to me, rather than the wait-and-see approach.

Mr. HEINKEL. I am not talking about waiting and seeing. I am talking about acting now before waiting until this fall.

I am talking about the men that have huge livestock numbers and depend upon buying feed grains to feed that livestock. It is my opinion they will buy soon, if this program is enacted.

Mr. SHORT. I do not quite follow your reasoning, sir, but I would like to ask you just one more question, if I might.

You stated that this program emphasized the fact that this program was voluntary. Do you feel that the support and release provisions of the bill almost tend to make the program compulsory?

Mr. HEINKEL. No, I do not see it that way at all.

Mr. SHORT. Thank you, Mr. Chairman.

Mr. COAD. Mr. Chairman, one question.

You do agree on the amendment proposed by the Secretary that corn would not be sold at less than the present support price.

Now, it has been referred to that if he had complete authority to sell it at any price, that that would be an ace in the hole.

Do you feel that this amendment might just give him a jack in the hole; that it is limiting his power?

Mr. HEINKEL. Yes, it is.

Mr. COAD. Would you be opposed to a bill if this amendment were not enacted on it?

Mr. HEINKEL. Would I be opposed to it if—

Mr. COAD. Yes.

Mr. HEINKEL. No, I would not, for a 1-year emergency shot at it. I would not.

Mr. COAD. Thank you.

That is all, Mr. Chairman.

Mr. POAGE. Any further questions?

Mr. HAGEN. I would like to ask a question.

Mr. Heinkel, correct me if I am wrong. It is not contemplated by this legislation through the retirement payment provisions that there will be sufficient reduction in supply that a market price of \$1.20 a bushel at least would obtain for this feed corn?

Mr. HEINKEL. Yes, sir, that was the thinking.

Mr. HAGEN. That was the thinking.

Then why do you mess with the price support at all? Why do you not leave the price support where it is?

Mr. HEINKEL. Well, for the same reason that there are always unforeseeable things that enter into the picture, and why have we ever had a price support?

It is to give the farmer some assurance that here is something to which he can tie and to look forward to at the end of the season, and we feel that it ought to be in there.

Mr. HAGEN. Of course, you have got the sugar program where it regulates supply in relation to demand, and, of course, they use it to achieve a cheap price to the consumers, but they make up the farmer's income by payments.

This could well be of the same character for one year.

Mr. HEINKEL. Of course, this is a voluntary program, we must bear in mind.

Not all people—no one is compelled to participate in it.

And, being a voluntary program, we felt that people who were willing to cooperate and reduce their acreage should have the assurance of this price support.

Mr. HAGEN. One further question. Now, this amounts to a gratuity.

In other words, it is going to increase the income of the growers of those crops which are included, is that correct, sir? That is the intention of it?

Mr. HEINKEL. It is the intention, but, further, it is applied to these programs because they are the ones where the problems exist.

They are the ones where the huge surpluses are piled up that are costing the Government so much money in storage. That is why the committee felt they were the two that ought to be attacked.

Mr. HAGEN. I want to ask you another question.

Why do you blithely leave out the barley growers and oat growers who are equally deserving?

You said you would be willing to see them eliminated.

Mr. HEINKEL. We do not blithely leave them out.

Mr. HAGEN. You want them in there, in other words?

Mr. HEINKEL. If we can figure them in, if we do not make the bill too complicated.

We felt that the major producing areas like corn and milo, that they would simplify it for a 1-year emergency bill that they be left out.

Now, if there are other sections of the country where barley and oats are the principal crops, I would have no objection to it being in there, if it will not too complicate the administration of the law.

Mr. HAGEN. In California, we have people who grow barley exclusively, if they grow feed grains at all, and I am somewhat in the position of Senator Kerr.

He said:

"If Oklahoma ain't in it, I'm not for it."

Mr. HEINKEL. But let me remind you again that our problem is with corn and grain sorghums, and we felt that we could not write a bill of perfection in this short period of time and get it administered in the short period of time which we have before planting time.

It is right upon us now.

The farmers now in our State have already seeded their oats, some of them, so you cannot make it effective to them, and I know they have further south.

Mr. COAD. Mr. Chairman, I might point out that the Secretary has the discretion to set these price supports. It is not a matter that they are going to be left out. If we ignore those items in this bill, they will proceed just as they are now.

Mr. HEINKEL. Right.

Mr. HAGEN. You are not giving them the opportunity to get this payment, so you are leaving them out of a gratuitous program.

Mr. COAD. They will come in for any price support that the Secretary announces.

Mr. HAGEN. That is right, but not the payment program.

Mr. COAD. He can increase that.

Mr. HAGEN. All right, but they are not going to get the payments.

Mr. COAD. That is right.

Mr. HAGEN. That is half the program. That is a big part of the program.

Mr. HEINKEL. But we felt that it should be offered to people who agreed to cut back grain acreage and sorghum acreage, because they are the two items in which we have our major problem.

We did not design this just to find a way to pay out money to somebody to put acres in soil-conserving crops; but we designed it to pay people who would put acres in soil-conserving crops taken out of crops that are in major surplus.

Mr. POAGE. Thank you very much, Mr. Heinkel.

We are glad to have had you with us.

The committee is now going to stand in recess until 2:30 this afternoon, at which time we are going to hear all of the witnesses who have asked to be heard. As far as I know we have only two witnesses, Mr. Brooks and Mr. Otto.

We are going to hear those two witnesses at 2:30 this afternoon.

After that, the committee is going into executive session to consider this bill, and we will probably continue that tomorrow.

I want the members to understand that the committee is going into executive session after we complete the hearings this afternoon.

The committee will now stand in recess until 2:30.

(Whereupon, at 12:10 p.m., the hearing was adjourned, to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

Mr. POAGE (presiding). The subcommittee will please come to order.

We have for further discussion before us the bill. And I believe our first witness this afternoon is Mr. William Brooks of the National Grain Trade Council, and we will be glad to hear from you now.

**STATEMENT OF WILLIAM F. BROOKS, ON BEHALF OF THE
NATIONAL GRAIN TRADE COUNCIL**

Mr. BROOKS. Mr. Chairman, my statement is very brief. I have been out of town until about midnight last night. This bill has been introduced and the proposal has been made in my absence. This is a statement submitted in behalf of the National Grain Trade Council at the particular request of the Minneapolis Grain Exchange, whose telegram to me I will read by way of a statement. The telegram is dated February 21:

WILLIAM F. BROOKS,
National Grain Trade Council,
Washington, D.C.:

Due to transportation tieups and short notice, it is impossible for anyone from Minneapolis to appear personally and therefore we request that you arrange to appear before the House Agriculture Committee on February 22 and present the following statement on behalf of the Minneapolis Grain Exchange:

The authority which the Secretary of Agriculture has requested to make unlimited sales of feed grains during the marketing year for the 1961 crops of such feed grains at prices as low as \$1.05 per bushel for corn, or 15 cents below the proposed loan rate will create great uncertainty with respect to feed grain prices, will force huge quantities of feed grains in the Commodity Credit Corporation's possession through the loan program and tend to create a monopoly with CCC becoming the principal buyer and seller of feed grains. This will tend to destroy the present competitive grain marketing system. We believe that using increased loan rates, together with authority to sell below the loan rates as a means of securing participation in the diversion program is unnecessarily cumbersome and expensive. We believe that whatever diversion is required can best be obtained by direct diversion payments, either in cash or in kind and that section 3 should be stricken from the proposed bill.

E. E. QUINN,
President, Minneapolis Grain Exchange.

To the extent that I have been able to study the provisions having to do with a retirement of an additional optional 20 percent of cropland and to the extent that it seems to envision sales by Commodity Credit Corporation at the market, I would have some reservations about this.

I am frank to say, Mr. Chairman, that I have not been able to study this bill in the detail that I would like to and usually do before I do come here to appear.

Mr. POAGE. We understand—

Mr. BROOKS. Thank you.

Mr. POAGE. That you have had short notice. Would you suggest that we continue to pile up surpluses?

Mr. BROOKS. I am not prepared to answer on that. I represent a service organization. As I read the report of their meetings, the policy that you people develop and with the aid of farm groups is

one that we have to work with. I recognize that there is a problem that we will pile up stocks of feed grains and wheat.

I would like to say on that merely this: that in a meeting within the last 3 weeks of members of our organization, which includes exporters as well as domestic handlers, the export group was of the opinion that Congress should exercise considerable caution in cutting back in the production of feed grains and this, particularly, in view of the fact of their outlook for the demand in the world for feed grains.

The demand which has come about and is here now because of the apparent failure behind the Iron Curtain of the agricultural programs there is considerable. They point out that the purchases by the Chinese of rather sizable volumes and probably more sizable volumes of wheat from both Canada and Australia.

They point out the present world demand for soybeans and the probable continuance of this demand.

They point out the probable increasing demand in Western Europe for our feed grains, assuming that the demand there for red meat increases and begins to approach the present domestic production of red meat here.

These are merely, perhaps, estimates on their part, but if you put a decrease in them, you might come to the conclusion that our feed grain problem will not be solved quickly. But on the world demand situation, it may not be quite as large as we think it is.

Mr. POAGE. I suggest the possibility that it is. My feeling is that if you continue the present program we will continue to pile up surpluses. And you think for some reason or other, it will not?

Mr. BROOKS. I do not think they will just go away.

Mr. POAGE. In that case we will continue to pile up surpluses?

Mr. BROOKS. I just came back from Colorado and Nebraska where I talked with a number of feeders out there, a number of people who supply people with feeding cattle, and they seem to like the present program. I am talking about feeders.

Mr. POAGE. I understand the people like it.

Mr. BROOKS. Maybe this will help to solve the problem.

Mr. POAGE. Would you give me your opinion—if you do not want to, I do not want you to—but if you would give me your opinion as to whether the present program will continue to pile up surpluses.

Mr. BROOKS. This is an area where we have no policy.

Mr. POAGE. I am not talking about a policy. You are a grain man.

Mr. BROOKS. I cannot answer it. I am not qualified.

Mr. POAGE. Anybody else want to ask any questions?

Thank you very much, Mr. Brooks.

Mr. BROOKS. Thank you.

Mr. POAGE. Now then, we have Mr. Warren H. Otto. We will be glad to hear from you.

STATEMENT OF WARREN H. OTTO, BRADSHAW, NEBR.

Mr. OTTO. Thank you, Mr. Chairman.

First of all, I would like to thank each and every one of this committee for granting me this audience. And I shall attempt to be as brief and concise as I can.

First, I would like to explain that I represent no organization or no group. I am here strictly as a dirt farmer.

I have farmed in western Nebraska for some years. It does not seem but what I am doing quite less each year than the previous year.

I believe in the higher supports for corn and feed grains with the consequent reduction in acreage. And it is my belief and opinion that compliance as to these acreage reductions should be compulsory because we cannot do it otherwise.

As an example, in 1958, on one 240-acre farm that I farmed I stayed in the program and that was the last year we had acreage allotments. My allotment was 86 acres on 240 acres. I stayed within that allotment. My neighbor across the road planted his whole section. And with his noncompliance he got within 10 cents of a bushel of what I got on the 86 acres of corn that I stayed in compliance with.

As to the livestock men, I cannot readily understand why they would like to see this present program continued. As a matter of illustration, I have a close neighbor who has, in effect, had cattle his entire life until the past 2 or 3 years. They can see where they can add a little more to the price of a bushel of grain if they market through meat.

Consequently, the farmers, the feeders this fall, bid the price of feeder cattle up, with a consequent increase in cattle population. Actually, the producers naturally if they are getting more for the feeder stock, hold back and build up the cow herds.

I would like to feed cattle. I used to feed them. I am scared to death of the future of the cattle market. This is the first year since I have farmed that I have not had cattle to feed. I have hogs that I feed. I was carrying water to them at 4 o'clock yesterday afternoon. So I classify myself as strictly a dirt farmer.

I have corn on our farm that was produced in 1956. It is still on the farm in storage. The Government to date, when I receive my next storage payment, will have a cost of 90 cents a bushel over and above their 1956 support price in that corn. I believe, and believe it sincerely, instead of getting hung with 90 cents a bushel added cost, would it not have been maybe a little better in 1956 to have cut the production in half and have given us another 50 or 75 cents a bushel on this corn? And have gotten it out of surplus?

It is like the sword of Damocles hanging over our heads—any time the Government wants to cut the thread, that is it. That is what it amounts to.

But I believe in this program—I am heartily in favor of this proposed legislation. I believe that if it is put into effect there should be strict compliance; it should be made compulsory, because you cannot let one-third or one-half of the farmers go with acreage controls and the other half produce on their entire farm and put it into production.

Mr. POAGE. I cannot find fault with anything you have said, but I would call your attention to the fact this is one phase of it.

Mr. OTTO. I realize that.

Mr. POAGE. I agree with what you say about having a program without all of the farmers in it; you cannot have one.

You believe it is desirable to try to control acreage production?

Mr. OTTO. Here is the predicament we are in now. We are within just a few weeks of planting season and I do not see—and I am not well acquainted with the legislative processes—but it does seem to me that if this program is to be enacted, it cannot be put to a vote of the farmers in that short time.

Mr. POAGE. I think it is quite clear that it cannot be done. And for that reason, I think, or it seems to me that it is quite clear that we cannot impose a mandatory program this year.

Mrs. May has wheat which has not been planted in her area. But we do not have time to conduct a referendum such as we have always conducted where we have a mandatory program. We ought to have a referendum on a program.

I find no fault with what you are suggesting. I do not think farmers ought to have support without their making some effort on their part to balance supply and demand.

Mr. OTTO. I do not know the solution, unless it is to give the Secretary of Agriculture, Mr. Freeman, the power to force this market down with surplus corn, but, as I say, that may not be the solution, but I am strictly in favor of it if it will shove these fellows into compliance.

Mr. POAGE. The Secretary has to have some power in order to prevent some individuals from planting all of their land.

Mr. OTTO. There has to be some in it someplace.

Mr. POAGE. And if you make it mandatory, you can create a situation which will make most people feel that they will make more money by complying. Most people will plant that in which they can make the most money.

Mr. OTTO. That is true. That is exactly what happened in 1958. In 1958 we had a rearrangement. Noncompliance farmers in our county in Nebraska drew within 10 cents a bushel of what I got. I received \$1.35 and noncompliance producers received \$1.25 a bushel.

Mr. POAGE. I think I do not want to be a party to that same kind of procedure. We, certainly, get within 15 cents if we pass this bill—we certainly get within 15 cents for the noncomplier as to what we get for the complier. That is what Mr. Benson did.

Mr. QUIE. What were the support levels at that time?

Mr. POAGE. Do you remember? It sold for \$1.56.

Mr. OTTO. This was in 1958, sir. I have said that I had 1956 grain in storage on the farm as of today. I have 1956, 1957, 1958, 1959, and 1960 corn in storage on the farm. I am talking of these support prices, of the difference between \$1.35 and \$1.25—that was for the 1958 crop.

Mr. HAGEN. You have made more in storage than you have on corn.

Mr. OTTO. That is what it amounts to. That is what it amounts to. I do not think it is right—I will tell you that. It is a continual fight to keep that corn in condition. As long as it is on the farmer's farm, in his storage, he is responsible for it. If that goes bad, it is money out of our pocket. We have to make up the difference.

I would rather make it the year that I produce it.

Mr. QUIE. I think we ought to read into the record that 1956 compliance corn was \$1.50 and supported noncompliance was \$1.25. There was a 25-cent difference and it did not bring the kind of compliance we wanted.

In 1958, the compliance corn was \$1.40 and the noncompliance corn was \$1.10—a 30 cents difference.

And in 1957 the compliance corn was \$1.56 and noncompliance was \$1.26—a 30 cents difference.

Mr. OTTO. I am sure—I would have sworn by all that is holy that noncompliance farmers drew \$1.25.

Mr. QUIE. Here is what happened. I was farming back then, too. And when a person took a field of corn, he did not get the national support level—he got it at the rate of his area.

Mr. OTTO. That is true.

Mr. QUIE. You point the finger at the fellow who gets the regional difference in his price support and then compares that with the national average noncompliance support level, while he should have compared it with the regional noncompliance level.

Mr. OTTO. The point I am trying to make is that there should be no support for the noncomplier.

Mr. QUIE. I agree with you there.

Mr. OTTO. To me I just do not believe—I actually do not believe that you can make any kind of a program work even on a temporary basis without some compulsion of some sort.

Mr. POAGE. Do you not think that you are going to have to have exactly what we have, not compulsion, but as I said instead of using compulsion, to use the approach of making it more profitable for a man to comply than it is not to comply. And would you not, if you got substantial compliance, bring the price of all feed grain just to that under loan unless we have some power on the part of the Secretary to sell grain at less?

Mr. OTTO. That is right.

Mr. POAGE. We had that in cotton this last year. A cotton was supported at 75 percent parity. B cotton was sold at about a cent and a half of the A cotton support price. The Government did not support it at that price but it brought just under the support price.

Is that not always going to be the situation with any commodity, if you get a substantial balance between supply and demand?

Mr. QUIE. And it should be.

Mr. POAGE. If you are going to hold that out, as being an opportunity to the noncomplier, you will never get compliance. How can you get compliance if you are going to tell the noncomplier that he is going to get within a cent and a half of what the complier does?

Mr. OTTO. That is true. Another thing that I believe that will work in my behalf and in behalf of every grain producer is that the cost of production each year is just continually rising. It seems like the cost of our corn each year continually decreases in price.

Mr. POAGE. It has just decreased some 50 cents or 30 percent in the last 4 of 5 years, has it not?

Mr. OTTO. Twenty or twenty-five percent reduction in acreage will give us a certain direct reduction in our production costs.

Mr. POAGE. A great many people in the United States have the philosophy—I do not subscribe to it, but I think many have it—that if you lower the price you will stop production. It does not do that.

Mr. OTTO. If it continues, my bankers will tell me I cannot continue.

Mr. POAGE. I just want you to tell us whether you think the Farm Bureau philosophy ever works?

Mr. OTTO. No, sir.

Mr. POAGE. I cannot see it work, either. I have been watching it for a good many years. They have a good insurance program, but I am suggesting that this idea that simply by starving the farmer out that you can achieve a balance of supply and demand is one which we have practiced for 8 long years, and I am sick and tired of those years. I think that we need to get another philosophy.

Mr. OTTO. In reference to the statement about Farm Bureau insurance, it is cheap, it is good. That is the way I heard Mr. Shuman this morning when he mentioned figures, how many people, farm families, be represented. That insurance is the biggest come-on for the Farm Bureau membership; in other words, it is a "gimmick."

I can take you into my hometown and show you people that live right in town that do not operate a farm and do not own one but who belong to the Farm Bureau for the reason they can buy automobile insurance cheap.

Mr. QUIE. I do not think we ought to take any organization apart without them being here.

Mr. POAGE. I am a member of the Farm Bureau, so say whatever you please. [Laughter.]

Mr. JENNINGS. I just want to mention the fact that I was complimenting them on the insurance portion and I did not say anything derogatory. I made the statement that they have a good insurance program.

Mr. POAGE. I want to say, first, that the idea of reducing production by decreasing price has not worked.

Mr. OTTO. True, it has not worked.

Mr. POAGE. It never will work.

Are there any other questions?

Mr. SHORT. Mr. Otto, I would like to examine a little bit your contention—I would like to go a little bit further into the pursuit of the philosophy of reducing production of a commodity and maintaining the farmer's income by a corresponding increase in the price.

Certainly, as a farmer myself, I am interested in good prices for farmers, but I think we have somewhere along the line to recognize some of the facts of life and of economics and the prices that people will pay. If we raise the price of feed grains, for instance, it is going to bring about, it would seem to me, and will mean an increased price that the feeder would have to receive for his cattle and hogs that he produces.

Do you not think there is the possibility of there being a corresponding decrease in consumption? We have poultry which is, certainly, a competitor of pork and beef. We have the various fish products.

Do you not think that if you pursue this approach that we can increase the farmer's income by cutting down his production by correspondingly raising his price that we sometime will reach the point where we will decrease the market for the end product that is produced by the use of these feeds? I think we have almost reached the top level that people are going to pay for beef, for instance.

It would seem to be that inevitably we are almost faced with the very real possibility that we are going to have a corresponding reduction in per capita consumption.

Mr. OTTO. I do not believe so. It seems like our per capita consumption of red meats is on a rise each year.

Mr. SHORT. We always consume whatever we produce in the way of meat. There is no surplus. There is no way to retain it. It has to be sold at some price.

Mr. OTTO. If there is oversupply of it, bang, there goes your money.

Mr. SHORT. Are you talking about reducing the available supply and raising the price? It would have to be raised so far as the feeder is concerned. And he is going to maintain his present income, is he not? If he is going to cut back on production, he is going to have to get a correspondingly larger price for what he does sell. If he is going to cut back on his bushels in return for an increase in price, the feeder will have to cut back on the number of cattle and hogs that he produces and, in return, for an increase in price. That will reach the point up here someplace where the consuming public will no longer pay that price. Are you not going to reach that?

Mr. OTTO. I do not think so. It is a possibility theoretically, but I will not say a probability. The American people eat better on less money—it takes less work to fill the housewife's food basket. And people that are working that have a steady income and are used to eating beefsteaks and chops are just not going to quit eating. I just do not believe it will work that way. I may be wrong, but I do not think so.

Mr. SHORT. I hope you are right, but remember this: They pay today about the maximum that they will pay. If people would pay any more for sirloin and T-bone steaks, you can rest assured that price would be pushed up to the price that they would pay.

Mr. OTTO. The farmer's meat dollar is lower in these years.

Mr. JENNINGS. Just as a matter of interest, when he was receiving \$1.50 for his corn, what was the meat product selling for then?

Is there a great differential in the price today and the price that we had in the period of oversupply and the fact that we have surpluses, has it caused a great differential in price that the housewife must pay for the meat products, the end products, or is the relationship not as great as we think it is?

Mr. SHORT. It is hard to compare them. I would say there are many other factors that are related to the price of the sale of meat that you could hardly relate them entirely back to the price. I think we are just about at the top. I know a little bit of something about meat at the retail level.

I think we must admit that the price is now at the maximum. If there was any opportunity to get a higher price, they would, certainly, get it.

Mr. POAGE. Will you yield there? We are getting down right now to 24-28 cents for cotton, fall delivery. I think I can say it has been about 3 or 4 years ago we contracted way up in the high 30's. It went as high as 10 cents a pound higher than today.

The price of corn was higher than it is today. Who has got the advantage of this drop in price of corn? Corn has dropped by $33\frac{1}{3}$ percent in the last 4 years. Who has the advantage? Does the housewife get a $33\frac{1}{3}$ percent drop in the price of meat she pays?

Mr. SHORT. The price of the best cattle has certainly gone down.

Mr. POAGE. That is right. The price is down almost as much as that of corn. Not quite that much.

Mr. SHORT. 28.5 cents last month.

Mr. POAGE. I was talking about calves. I know of one contract for 39 cents a few years ago. Now we are down to 24 and 26 cents.

I wanted to find out who is making the money now. Where does the money go? Obviously, there has been a drop of approximately a third in the value of the corn. I think nobody denies that, do they? The price of cattle has come down, at least, the price of feeder cattle has come down, by approximately a third, too, or almost that much.

It seems to me that the fact that your corn has come down would indicate that if corn went up, the farmer would make more money, as he did when corn was worth \$1.50 as against what it is today.

Mr. SHORT. The only point that I am trying to make is one that we should not lose track of in this whole consideration. It is this simple. Can we by legislative decree establish a proper price for any product? If so, why can't we go on down the line and establish the proper price for all commodities, automobiles, and everything else? That is the point that I am trying to get at here. I think somewhere along the line there is a relationship and we cannot be sure that people will buy at this desirable price that we would like to have.

Mr. OTTO. I just do not believe that it will come to that. Another point I would like to make—

Mr. POAGE. Before you get on that, will you yield again? As to the consumption of beef per capita 3 or 4 years ago, was it as much as it is today?

Mr. OTTO. I think it figured up just within a fraction of it.

Mr. POAGE. I think it is almost exactly level. I do not think there has been any substantial change in the per capita consumption of beef in the last 4 years. I think the demand is almost static and yet the price of meat animals has come down by 30 percent or more.

Mr. SHORT. Right there, Mr. Chairman, you have to remember that we always consume whatever we produce—yes, we do. There is not one instance in history where we have not consumed what we produced in the way of meats.

Mr. POAGE. Of course, that is true. Of course, that is true. But we are consuming today at substantially a lower price than we were consuming 3 or 4 years ago. And it seems to me there is a direct relationship between the price of corn, which is way down.

I would like to see us get for beef the substantially higher figure which we did get 4 years ago with higher priced corn—where the corn man was doing better than he is doing today.

Mr. SHORT. Was the retail price 4 years ago higher?

Mr. POAGE. I do not think there was much change in the retail price.

Mr. OTTO. Last year an economist at Iowa State College, after exhaustive research on it—I do not know whether right or wrong—came out with the statement if the American farmer was turned loose on these prices of all commodities, not only feed grains but meats—turn them loose and let these commodities seek their market level—this is a matter of record—it was in the U.S. News and World Report, Capper's, and Farm Journal and all of the papers, Wall Street Journal, where I read it the first time—I may be off on some of these figures—wheat around 85 or 90 cents; corn down around 55 cents; cattle down around 13 cents; and hogs 6 cents; and a dozen eggs about 10 cents.

American agriculture cannot operate under those kind of prices, not that I am saying that is what we will have. I am in complete accord with those economists that if it was cut loose, production was cut loose and with no support, no help of any kind, that is just exactly what would happen. We might be lucky if the prices were that high.

Mr. SHORT. Can you tell us that under any support or control program that it would be up?

Mr. OTTO. We have a support on corn and feed grains to a certain degree. If there was absolutely no support for feed grains and production was turned wide open and corn went to 55 and milo in direct proportion, how long do you think it would be before we had the biggest welter of cattle in history?

Mr. SHORT. I think the amount of feed grains available has a small degree of influence over the number of cattle actually produced. That is not true of hogs, I grant you. Your capacity to produce cattle in the United States has a very small relationship to the capacity to produce feed grains.

Mr. OTTO. In turn, in the way of reiteration, I have close neighbors feeding cattle this year, and last year, that never had a carload of cattle in their feed yards that I can remember of in the past 15 or 20 years. They see where they can make another dime or 15 cents a bushel on corn. They are buying them. You go to the sales barns in Grand Island and Sand Hills and those places up in Nebraska, farmers from Indiana, Ohio, are flocking in there each week buying these cattle to take back to feed that grain to.

What has it done? As I mentioned a moment ago, the producer, the man that is producing these cattle to sell as feeders, is making good money on it. They have been clear out of reach. I am scared of it. We are building up another population of cattle. And one of these days I just do not know. I would like to have fed cattle this year, but I was afraid of it. My banker talked me out of it. He advised me against it. I figured he was right. I do not know whether he was right or I am right or how it will turn out.

But I know while I am showing a deficit in the last 2 years of grain production, I would be clear out of business with a bad thing in cattle.

Mr. JENNINGS. I share your views, because it applies to feed grains. When cattle are down, I saw it in my own area where they sell feeder cattle and calves. I saw for a temporary time markets for those calves and feeder cattle go up. As you said, they were going up into Indiana and Ohio where they had a surplus of these cheap grains. Now cattle and calves, feed calves, feeder stock, are up and we have an oversupply of livestock and cheap prices.

Mr. SHORT. All I can say is that what you have said is probably true, but it did not bring about a production of a greater number of cattle.

Mr. JENNINGS. I disagree. I think it did. I think the people that have the surplus grain contract to that market for livestock rather than market it in the direct manner and they are trying to make more money and as a result we have more feeders, we have more cows and calf herds, and as a result we have more meat on the market.

Mr. POAGE. What Mr. Short said about meat, is true. We always consumed all of the meat that went on the market. It is also true that all of the feed grains that were put on the market are consumed by

animals sometime. Is that not true? Did you ever hear of feed grains on the market that did not go into animals?

Mr. SHORT. Of course, Mr. Chairman, putting the feed grains into storage for future service.

Mr. POAGE. I am talking about your statement that we always consumed all of the meats that went on the market—that we consumed all of the meats that went on the market. I think it is equally true that animals consume all of the feed grains that go on the market. People do not go and buy feed grains that do not have any animals to feed them to. People do not buy these grains simply to put them into storage. They buy these grains to feed them to cattle or hogs or chickens. And they always eat up all of the product, year by year.

So all feed grains are used up, no matter what the price, whether high or low except for what is stored largely at Government expense. And the result is that if you put a lot of feed grains on the market at a low price you are certainly going to produce more pounds of meat than you are if you put a small amount of feed grains on the market at a high price.

Mr. MATTHEWS. As I understand it, all the gentleman wanted to say chiefly was that he favored the Secretary's program but he wanted strict compliance.

Mr. OTTO. That is my honest conviction.

Mr. MATTHEWS. I wanted to know what your testimony was.

You feel that strict compliance is not in the Secretary's proposal?

Mr. OTTO. I think that, eventually, you will defeat your purpose if there is not some kind of strict compliance.

Mr. MATTHEWS. If you do not get strict compliance?

Mr. OTTO. That is right.

Mr. POAGE. We are very much obliged to you, Mr. Otto.

Mr. OTTO. Thank you.

Mr. POAGE. I believe Mr. Smith desires to testify in behalf of the State of Iowa.

STATEMENT OF HON. NEAL SMITH, A REPRESENTATIVE IN CONGRESS FROM THE FIFTH CONGRESSIONAL DISTRICT OF THE STATE OF IOWA

Mr. SMITH. Mr. Chairman, I want to take about 5 minutes to formally propose something that I have spoken privately of to some of you. It would apply particularly to this bill and the specific amendment, I think, should be incorporated in some other support legislation.

It is simply this: that the support price be limited to the average or normal production on the allotted acres. In other words, suppose a man has an allotment of 100 acres; you use this allotment and you measure his acres so as to check compliance with the allotment, but when it comes to the time to support his product, you support only the average production on that 100 acres.

This takes away the Government financed incentive to keep pouring on fertilizer and producing more.

Mr. POAGE. That is substantially a suggestion that we make the allotment in bushels instead of acres?

Mr. SMITH. Yes; and this is as far as you can go toward bushelage allotments on feed grains.

On wheat and so on, you could actually clamp on a bushelage marketing allotment, but this would be about as far as you can go to put feed grains on a bushelage basis. And this takes away the incentive, you see, to continue to pour on the fertilizer and produce more and more, and it takes away the encouragement toward producing more that results from a higher support price.

Mr. QUIE. How does anybody know what is on my farm?

Mr. SMITH. They have production records.

Mr. QUIE. How did they find out about it? Nobody came and measured it.

Mr. SMITH. Yes; I think they sent out questionnaires and so forth, including yours, and they have ways of documenting it. The Department has estimates right now.

Mr. QUIE. The Department sent it out? They did not send it to everybody.

Mr. SMITH. You are saying that maybe the record that they have is not exactly correct, but they have records and estimates as to the average production in every township. This was used, as a matter of fact, in 1957 and 1958 with regard to the acreage reserve program.

Mr. QUIE. And they made some pretty bad recommendations on some of them and they did not allow an appeal. Would yours allow an appeal?

Mr. SMITH. There was in 1957 and 1958; I appealed on my farm.

Mr. QUIE. There was in 1957, and in 1958 there was not.

Mr. SMITH. I appealed on mine. I think there should be appeal rights. I surely think there should be an appeal right and that township committees should try to look at the township as a whole and distribute this properly among the farms.

But the point I am making is that there is some validity to the argument that if you increase price, you increase encouragement to put on a little more fertilizer. I am saying you can overcome most of that by giving the man bushelage allotments as to what is available for the support prices and anything he produces over that he can put on the market. If he gets a big crop that year his cost per bushel is less, so he can afford to market some without support loans.

Mr. MATTHEWS. If I can make one comment now, then I will ask no more questions. He has put his finger on the main problem we have. The other day I did not want to question the Secretary about this because I realized that this is an emergency matter and that this approach would involve many other commodities, but as my colleague, Mr. Jennings, has pointed out before, I do not think we are ever going to have any successful price-support program insofar as corn is concerned until corn is put on the bushelage basis; so far as wheat on a bushel control, that is no different. Cotton control, tobacco control, some kind of a pound control. I realize it is a problem, especially since the feed grains are fed on the farm, but I just would like for my opinion to be stated that I just do not think we ever are going to solve satisfactorily this problem of production controls unless we do it somewhat on the basis that the gentleman has outlined.

I want to thank you for bringing that point out.

Mr. SMITH. Thank you very much. I will close by saying that this leaves the incentive to be a better farmer and to produce more with the same tools, but it takes away the encouragement of pouring on more fertilizer to just actually convert fertilizer into corn.

If there are any questions, I will be glad to answer them.

Mr. POAGE. Any further questions?

Mr. SHORT. Do you not have a very serious problem—this is a basic problem—any time you start the bushelage control program—you talk about trying to arrive at some kind of a policy—before I go any further I think your proposal here has a lot of merit to it—it would reduce the incentive to just spread more on each acre and produce more. It seems to me that you have to very meticulously arrive at a production figure farm by farm, or you are going to tend to penalize the good farmer and give advantage to the poor farmer.

Mr. SMITH. I grant you that you have to do it farm by farm. And I think (some of you may not agree) but I think they did a pretty good job in 1957. In order to determine how much you could get per acre on the acres put into the acreage reserve, you had to determine how many units you could produce per acre. So farm by farm they got average production figures. I think they did a pretty good job.

I know you cannot do it perfectly, but I think it was good enough, that it would be worthy of application not only to the feed grains program, but also wheat and cotton and various other programs where we have seen the results of fertilizer being almost directly converted into production units.

Mr. QUIE. What was done in 1957 is going to be done under this bill.

Mr. SMITH. You are correct.

Mr. QUIE. The normal production must be established in order to make the rental payment on the 20 percent diverted acres.

Mr. SMITH. That is correct.

Mr. QUIE. You asked us to go one step further on the price-support level?

Mr. SMITH. Yes, that is a good point. They will have to do this, anyway, administratively. You can use the same figure in applying it to the support level. It would be the number of units that could be supported.

Thank you.

Mr. POAGE. Thank you very much.

Are there any others present who want to be heard on this feed grains bill? If so we will hear them now. If not, we are going to close the public hearings. The hearings are closed; and the subcommittee will remain here in executive session.

(Whereupon, at 3:20 p.m., the subcommittee proceeded into executive session.)

(The following letter and statement was also submitted to the subcommittee:)

STATEMENT OF THOMAS L. KIMBALL, EXECUTIVE DIRECTOR, NATIONAL WILDLIFE
FEDERATION

Mr. Chairman, the National Wildlife Federation is a private, nonprofit conservation education organization composed of 50 affiliates in 49 States and the District of Columbia. These affiliates are made up of some 2 million individuals

from almost all stations in life and constitute a representative cross section of the general public.

The National Wildlife Federation, in annual convention last year, adopted a resolution recommending extension and expansion of the conservation reserve soil bank program. The Soil Bank Act (Public Law 540) authorizing "new signups" was not extended by the 86th Congress. We however, believe these basic principles are true and should be given utmost consideration with respect to H.R. 4510 and formulation of long-range agricultural programs.

1. Excess amounts of some agricultural commodities currently cost the Federal Government (and thus, the taxpayers) huge sums annually in subsidies and expenses of storage, as pointed out by the President and Secretary of Agriculture in recent messages to the Congress.

2. Agricultural land held out of production under established conservation practices retains its fertility for possible future needs while, at the same time, relieving the Federal Government of significant costs of storing surplus commodities; and,

3. Conservation practices holding excess land out of production have proven to be of great value in increasing populations of wildlife and fish, with important contributions to the public recreational facilities and to the national economy.

It is our belief that an agricultural land retirement program holding at least 68 million acres out of production would have a significant effect upon reducing surplus production.

The National Wildlife Federation understands H.R. 4510 is an emergency feed grain program for 1961, to be supplemented later by a long-range program. It also is our understanding that producers would be encouraged to shift acreage from grains to a "soil conserving use," apparently under the agricultural conservation program. If the committee decides this course of action is sound, we should hope the "soil conserving use" will be specified as a practice (or practices) of food-and-cover value to wildlife. We also should venture the opinion that those ACP practices which permit the application of fertilizers ultimately will result in greater production and be in conflict with the principle of land retirement to reduce surpluses.

Thank you, Mr. Chairman, for the opportunity of expressing these views.

MILLER SEED Co.,
Lincoln, Nebr., February 24, 1961.

HON. RALPH BEERMANN,
House of Representatives, Washington, D.C.

DEAR MR. BEERMANN: We are deeply concerned with the agricultural situation as it exists today, and feel that what will help agriculture will eventually help the Nation as a whole. It is our feeling, as well as many others in and out of Government, that a retirement of our surplus-producing acres is the long-range solution of bringing production in line with consumption. The land retired must be taken care of in such a way that it will be to the countries' best interest in the long run, and will be maintained in such a condition that it can come back into high productive level when it is needed.

After seeing the soil bank phase of the agriculture program in operation for the past 3 years, we feel that there are some improvements in the land retirement program that would be of benefit to all concerned.

1. Treatment of the retired land should be handled in accordance with the recommendations of the local soil conservation district. They are the people who know the capabilities of the retired land and can make the best recommendations for maintaining this land in the best condition.

2. On land retired to grass, participants should furnish definite proof of planting the required seed and a copy of the test of the seed used should be furnished from a recognized testing laboratory. Random drill box checks of at least 25 percent of the plantings should be made to make sure that the seed is being planted and of the kinds and quality that is supposed to be planted under the recommendations of the Soil Conservation Service.

Under the past soil bank program there were a number of areas and numerous instances of participating farmers running over their land with empty drills. Another abuse that became quite common was to use substandard seed which

could be purchased at a cheap price, and represent it with a tag or analysis from a good lot of seed which would meet the requirements for the quality that was supposed to be used.

Drill box checks will go a long way in correcting this type of cheating. In the areas where the above two abuses were practiced quite widely, only a small percentage of plantings ever obtained a stand of grass.

In any new legislation that is adopted for the purpose of carrying out land retirement, ground rules should be set up that will accomplish the purpose of the program in the best interest of Government and all concerned.

Yours very truly,

GLENN E. MILLER, *President.*





