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HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

WATERSHED PROJECTS

FEBRUARY 15 AND 16, 1961

REPORT OF COTTON COUNCIL

MARCH 10, 1961

PURCHASES OF PORK AND GRAVY

MARCH 24, 1961

H.R. 1021

EXTEND DEFINITION OF PEANUTS FOR BOILING

MAY 2, 1961

H.R. 3294 and 3462, S. 650 and 1617

NEW SPONSORS UNDER WATERSHED PROTECTION
AND FLOOD PREVENTION ACT

JUNE 26, 1961

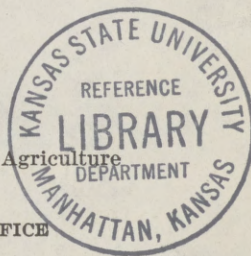
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WATERSHED PROJECTS

FEBRUARY 15 AND 16, 1961

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WATERSHED PROJECTS

WEDNESDAY, FEBRUARY 15, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

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

Present: Representatives Poage, Johnson of Wisconsin, Stubblefield, and McIntire.

Also present: Representative Gathings.

Hyde H. Murray, assistant clerk.

Mr. POAGE (presiding). The subcommittee will please come to order. The clerk will please call the roll.

(Thereupon, the assistant clerk, Mr. Murray, called the roll, and the following were present: Representative Poage.)

(Subsequent to the calling of the roll, the following were present: Representatives Johnson of Wisconsin, Stubblefield, McIntire, and Gathings.)

Mr. POAGE. If there is no objection, of course, we can proceed. We are interested in progress.

LEATHERWOOD CREEK

Governor Tuck of Virginia is here with us to again discuss the Leatherwood Creek project. The Governor has discussed this project with us before. Others who are interested in the Department have made a statement about it. We have a rather considerable record of this. But we are delighted to have any further statement about it, because it is one of those projects that seems to affect a great many people favorably, and at the same time, from the information we have, the cost on it is considerable per acre. Perhaps we ought to go into this, this morning, largely on the matter of cost, the economics of it; that seems to be the only issue.

There is not a man on this committee who does not believe in this program. There was not a man on the committee who does not want these projects. We would like to be able to approve every one of them, but we realize that if we approve projects that cost more than there is any reasonable justification for, the whole program will collapse and we will have no program whatever.

While I know that there are other committees of this Congress which possibly feel that they should not question any of these things, this committee feels that it should, and that is why we are here. That is why the Congress sends these plans to us to determine whether or

not they are reasonable. If they are unreasonable, we do not believe we have the right to spend people's tax money to do something that is unreasonable. But if it is reasonable, we want to do it. We would like to do it. There is no disposition at all on the part of this committee to turn this project down. We would much prefer to find a way of approving it than to try to find a way to disapprove it.

I believe that the number of people who are present indicates that there is an interest in doing such a thing and getting a favorable report.

So we will be glad to hear from you, Governor Tuck, and from any of those that you have with you who want to speak.

**STATEMENT OF HON. WILLIAM M. TUCK, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF VIRGINIA**

Mr. Tuck. Mr. Chairman, I certainly appreciate your kind words. I am glad to hear the views in general that you have expressed, and I want you to know that I deeply appreciate the courtesy which you have extended me, and particularly appreciate your courtesy in giving us this hearing here this morning.

There is an intense interest among the people of Henry and Franklin Counties who are to be affected, and we have some very, very prominent gentlemen who are here with me this morning. We could just as easily have had that many more, but we did not want to burden them or burden you, Mr. Chairman and members of this committee, by bringing too many people.

I will call on several of them later. But let me say that I have with me Mr. Thomas D. Steele, who is president of the Blue Ridge Soil Conservation District; Mr. Reuben Davis, who is treasurer of the district. We have Mr. Thomas J. Burch, of Martinsville, Va., a prominent businessman. He is a nephew of one of the distinguished gentlemen who preceded me in the Congress, with whom I am sure you served. We have the Honorable Lafe P. Prillaman of Martinsville, who is a prominent farmer and businessman, and who is chairman of the Democratic Committee for Henry County. We have the Honorable A. L. Philpott, one of the leading lawyers of Bassett, Va., who is a member of the house of delegates from that section, and who was for many years the Commonwealth's attorney for Henry County. We have Mr. Bill Franck of Martinsville, Va., who is the president of the chamber of commerce of the city of Martinsville in the county of Henry.

We have Mr. C. F. Lawrence, Jr., who is chairman of the Leatherwood Creek watershed project.

We have Mr. Sam S. Gusler, who is chairman of the Board of Supervisors of Henry County.

We have Mr. Kay L. Thompson, Jr., who is one of our most noted newspapermen, and who is now and has been for many years connected with the Martinsville Bulletin.

Also, we have with us my administrative assistant, Mr. Alton G. Lacy, who has served our district in the Congress for many years.

And in order to impress upon you the importance of this project to the people of our area and the interests which they represent, I have a formal statement here which I have prepared.

I might also say, before I get into that statement, that we have here this morning a gentleman from the Department who testified and filed a statement here before you at another hearing, and with him are some other gentlemen. They will, of course, be glad to again testify, as I understand it, or to answer any questions which may occur.

The project is sponsored by the Blue Ridge Soil Conservation District of the Commonwealth of Virginia and the Board of Supervisors of Henry County, Va. The watershed is named after the principal creek which originates in the southern part of Franklin County and flows in a southerly direction through a portion of Henry County into the Smith River. The watershed contains approximately 43,800 acres.

Leatherwood Creek is located in the Piedmont section of Virginia and is generally considered hilly country. Most of the upland is rolling to steep, and in years past has been intensively cultivated and there was much serious erosion in the watershed; however, recently there has been a marked trend toward conversion of the steep land to trees and grass. Originally, the bottom lands were likewise intensively cultivated and were considered the most valuable land in the watershed. However, as the streams filled from erosion, the farmers were forced to abandon the fertile bottom land. Thus, it is imperative if profitable agriculture is to continue in the watershed that the flood plain be protected and returned to cultivation. This would eliminate the necessity of again cultivating the erosive uplands.

This watershed is located in a section of the State that is rapidly expanding industrially and populationwise. This will mean that the pressure on land will become very intense in the near future. In view of this fact, it appears to me that the time to put this project into effect is now, while easements can be obtained for flood prevention damsites at a nominal cost, and with a minimum of disturbance of the local citizenry. It will also allow all land within the watershed to be put to its best use. For example, the fertile bottom land, if protected, could be used for intensive agriculture, and the more rolling lands for building sites, and timber and grass production.

It is estimated that the project can be completed in 5 years at a total cost of \$726,580, of which \$457,371 would be expenditures under Public Law 566. The average benefit-cost ratio is estimated as 1.40 to 1.

Floodwater damage is one of the major existing problems in the watershed. In the past 22-year period, there is a record of 80 floods, the most serious of which occurred in August 1940, causing considerable damage. A system of dams to provide floodwater retardation is proposed.

I am personally familiar with this watershed and I am intensely interested in seeing the project developed as presented in the proposed plan. The direct monetary benefits are thoroughly covered in the plan and I shall not be repetitious. I do know from personal observation that there is intense interest on the part of the people of the locality in this project. As evidence of this fact, the project, as I have heretofore pointed out, is cosponsored by the Henry County Board of Supervisors, the governing body of that great county. The county board of supervisors has already appropriated money to help defray the

legal expenses in connection with easements and the local landowners have given the easements at no cost to any agency or political subdivision of the Government.

There are 65 individual landowners that are involved in this matter.

In addition to the direct benefits noted above, there are numerous indirect benefits which cannot be evaluated monetarily. For example, the sediment pools created in connection with the dams will provide a considerable amount of recreation to the nearby residents and will afford an improvement in fish and wildlife habitat. Likewise, the decrease in floods resulting from the structures will eliminate to a considerable degree, inconveniences to farm families in connection with schoolbuses, mail delivery, delivery of farm products to market, and the general safety and welfare of the community.

I have no misgivings with respect to the proper maintenance of structures built in connection with this project. The Blue Ridge Soil Conservation District will assume responsibility for maintenance of structures built as a result of this project. The district has assurance that the landowners involved will actually maintain them. In the event of failure on the part of either or both, which is not anticipated, the State soil conservation committee has a policy of doing everything within its legal power and financial ability to see that watershed projects are maintained in Virginia.

Expenditures for channel improvement totaling 16.18 miles and floodwater retarding structures constitute the major items.

The project envisions a comprehensive plan of land treatment for watershed protection.

In addition, a land-treatment program for flood prevention comprising 29.4 miles of roadside erosion control is contemplated.

I will not dwell further upon details of the plan, as others are present who are better prepared to do so. I am convinced that the project is a worthy and meritorious one. I hope it will have your approval.

This lies right within the center of, the heart of the great district which I have the honor to represent. It is in the home county of both of my predecessors in Congress.

There is no county in Virginia that has developed more in the last 30 years than Henry County. Certainly, in certain parts of Henry County the industrial development has been enormous. The people of Henry County and a section of Franklin County are interested in the project. They appear to be unanimously for it, so far as I can understand it. The proposed project has been pending for some time and I have not heard a word or received a single communication from any individual in that section objecting to it.

The Board of Supervisors of Henry County is going right along with it 100 percent as evidenced by the resolutions which they have passed and by the actions which they have taken and by the presence of their chairman here today, the Honorable Sam Gusler.

I will be glad to answer any questions that I can which you gentlemen may have to ask, and if I cannot answer them, I will undertake to get the answers from the chairman of our Blue Ridge Soil Conservation District or from the treasurer or from these other gentlemen from the Department who are here and who may be better able than I to answer these technical problems.

In regard to the costs here I do have some figures that were made up by one of these gentlemen. I am sure that they are correct. It states that the total cost of Leatherwood is 16.59, the State average is 18.57 and the national average 21.60.

Mr. POAGE. Of what?

Mr. TUCK. They compare it with other State and National watershed projects.

Mr. POAGE. When you say those costs are 16.59, and so forth, what are you talking about, dollars or what?

Mr. TUCK. Dollars—I am talking about dollars.

Mr. POAGE. That is \$16 what?

Mr. TUCK. As I understand it.

Mr. POAGE. Is that per acre, included in your project, or is that per acre that is protected by the project.

Mr. TUCK. I could not tell you. As I say, I am not prepared to answer those technical questions.

Mr. POAGE. I think you will understand, Governor, of course, that these are the things we are trying to find out. You can include three-fourths of the State of Virginia in this project, and make the costs per acre very, very small—the costs per acre would be but a few cents, if you included the whole State of Virginia.

Mr. TUCK. I understand that.

Mr. POAGE. What I am talking about is what is the cost per acre of the land that is protected.

Mr. TUCK. I am assuming that is what they have taken into consideration. I have this paper here prepared by some gentleman from the Department—I think probably by Mr. Richards. I am just passing these figures on. I did not prepare this. They said that this would be a cost figure and I would like to get these figures in the record.

Mr. POAGE. All I want to know is what you just stated, as to what it is of what?

Mr. TUCK. It is \$18.57.

Mr. POAGE. Per what?

Mr. TUCK. Per acre is the way I understand it.

Mr. POAGE. Per what acre?

Mr. TUCK. That is involved in the area.

Mr. POAGE. Does that bear any relationship to the per acre, the 43,800 acres in the watershed, how many of those are protected by the project—it does not make much difference about the acres up on the mountain that do not have any protection, does it?

Mr. TUCK. I could not answer that question, I do not know.

Mr. POAGE. Is that not a question that has to be answered?

Mr. TUCK. It probably is. I assume that the gentleman who got these figures up, this comparison as to how it compares with such areas in other areas could tell you.

Mr. POAGE. I think that it is obvious he gave the whole acreage in the whole watershed.

Mr. TUCK. That is the same thing, then, if he cited them all.

Mr. POAGE. We do not think that has any relevance in the world, because you could take the Mississippi watershed and decide that you are going to put yours in the Mississippi watershed, which you could not because you are on the Roanoke River, are you not?

Mr. TUCK. We are on that watershed.

Mr. POAGE. Does not your watershed become a part of the Roanoke River?

Mr. TUCK. Yes.

Mr. POAGE. Then if you took the entire Roanoke River watershed, starting up above Christiansburg, is that not where it starts?

Mr. TUCK. Yes.

Mr. POAGE. And it runs down into North Carolina. And if he included all of that, you have quite a large watershed. And if you divided the total cost into the total number of acres you would have a cost that would not amount to but a dollar an acre, but it would not mean that it was any more feasible than at the present time.

Mr. TUCK. It may not be, but as I understand it, the importance of this is the way it relates to these other projects.

Mr. POAGE. We do not understand that—we are not bothered by that, the size of the watershed—we have never been able, that is, this committee has never been able to see it—maybe you can show us, where we ought to use the total acres of a watershed. It is perfectly possible that instead of taking simply Leatherwood Creek, you could take the whole Roanoke River, the entire watershed of the river, and talk about the four dams and say that they cost so much per acre when compared with the total watershed of the Roanoke River, but if you did it would not mean anything—it is not a figure that gives us any information.

Mr. TUCK. The only thing I have here, sir, is the breakdown as to the entire watershed, not only the breakdown as to the entire watershed of Leatherwood, but a breakdown of the entire watershed of our State average and a breakdown of the entire watershed on the national average.

Mr. POAGE. We doubt that that figure has any significance to your State or the national.

Mr. TUCK. Maybe it does not.

Mr. POAGE. A little further down, that is, if you went back across the mountains, you would be on the Mississippi watershed, would you not?

Mr. TUCK. Beyond the Blue Ridge Mountains.

Mr. POAGE. And you could take one of those little watersheds and say, "Here is the whole great Mississippi watershed," and it will not cost more than 30 cents an acre. What does that mean in terms of the soundness of your project? It would not give us any information.

We are interested in what does it cost per acre protected; the acres that are benefited.

Mr. TUCK. I had assumed that this gentleman who prepared these figures did so, I have assumed, as I say, did them on the basis that the entire watershed area would derive some benefit from it.

Mr. POAGE. Look at the map there—what possible benefit does that projection up there to the northeast part of that map receive?

Mr. TUCK. It might not have any benefit so far as the fertility of the soil is concerned way up in that area, but it could have some benefit in general land value there. It would enhance the value of the land in the flood lands which would tend to enhance the average value of the land all over the whole area.

Mr. POAGE. I would assume that if New York City grows, it has an effect on my property in Texas, but it is so remote that we would have to devise a way of figuring it.

We are just groping for some practical means. We know that that land up on the mountain is not benefited as the result of building these dams. We understand that. You understand that we are just groping around for a more practical way of determining the benefits. And that is shown on the map down in those creek valleys. That is where you prevent it from flooding.

The whole basic theory in the brochure of the Department is to tell us how they protect these lands from these floods. And you pointed out that there was no flood up in the northeast corner. You pointed out that they were down in the valleys.

Mr. TUCK. I was not contending that. I stand by all of the statements I have made. I was just simply reading these figures to show what it was in the entire watershed, not only in Leatherwood, but as it is compared to what it will be in the entire watershed in these other river beds within our State as well as within the Nation.

Mr. POAGE. We do not see that that has any bearing.

Mr. TUCK. It has no bearing?

Mr. POAGE. What difference does it make how many acres are included in a survey if those acres are not benefited?

Mr. TUCK. It may not have any benefit, but, anyhow, I have the figures here, if you want them. If you do not want them, it is perfectly all right with me.

Mr. POAGE. We are glad to have them, but what we are trying to find out is what is relevant. And what do you think is relevant? Do you think that is relevant?

Mr. TUCK. I honestly do. It seems to me that it is relevant if it benefits the whole watershed area. It seems to me that it would, certainly, have some relevance.

Mr. POAGE. Then, Governor, I do not live on the Mississippi, but both of these colleagues of mine do. Would you feel that it was relevant to cut off a creek down in Mr. Stubblefield's district in Kentucky and say that was part of the Mississippi drainage basin and, therefore, that 300 million acres in the Mississippi drainage basin costs per acre would be but three-tenths cent per acre?

Mr. JOHNSON of Wisconsin. I think that you are going too far with that.

Mr. POAGE. I am not going too far.

I will ask you, Mr. Johnson. You have always felt that we ought to approve all of these. Would you figure that in that northeast corner that it is benefitted by these works?

Mr. JOHNSON of Wisconsin. I think the people in the watershed have to agree to perform certain practices as a result of these dams. And the land on the upper area benefits as a result of these practices. If you do not have the dams in the bottom lands they would not put those practices into effect. They have to agree to contour farming and do different things like liming, planting trees, etc., to hold the upland. Therefore, the upland benefits. Maybe the dam does not do it, as a result of having the dam, the people in the uplands agree to do certain things they would not otherwise do. I would like to

have the figures that the Governor presented here incorporated into the record.

Mr. TUCK. Mr. Richards prepared it but he is not here.

Mr. POAGE. If the Governor wants them in the record we will have it incorporated and we will hear from all of these witnesses, if he wants that.

Mr. TUCK. We have Mr. Thomas Steele, who is president of the Blue Ridge Soil Conservation District.

Mr. POAGE. We will be glad to hear from Mr. Steele.

**STATEMENT OF THOMAS D. STEELE, PRESIDENT, BLUE RIDGE
SOIL CONSERVATION DISTRICT**

Mr. STEELE. Mr. Chairman, members of the committee, as Mr. Tuck has said I represent the Blue Ridge Soil Conservation District which is composed of five counties. It happens to be the largest district, I believe, in the State of Virginia.

Mr. POAGE. You mean the soil conservation district?

Mr. STEELE. Yes, excuse me. This is the third project, that is, watershed project that we have worked on. We have been over it several times, that is, all of the members of the committee have been over it. We went over it last fall with the local people who were represented. We feel that we are very familiar with the district, with the watershed.

If we did not think that this was a worthwhile project, we, certainly, would not have commended it or approved it the third time.

The very questions, perhaps not as technically as you rated them, were raised by members of the committee before we would agree to sponsor the watershed when it was first proposed to us.

I should like to say, without getting into the cost figures at the beginning, what has been done so far by the people.

No. 1, all of the easements involved in this watershed have been obtained at no cost to the Federal Government or to anyone else. They have all been borne locally.

No. 2, I should like to say that after the improvements have been made, contracts have all been agreed and signed by the people to maintain the project. And any improvements that are made will be maintained.

First of all this has been done with the local land owners.

The State committees of the Soil Conservation Service have agreed to help, in the event that the landowners should become unable to perform this work. And pursuant to which agreements have been made. If the land should come into an estate or if there is a widow or something, with one of these structures on that land, the State has agreed to help in the maintenance of it.

The Blue Ridge Soil Conservation District has agreed to be responsible for the maintenance of it. And, also, the Board of Supervisors for Henry County has agreed that they will help with the maintenance of it.

So I believe there is no question but what the people involved have agreed to any project that you gentlemen will allow to be fulfilled, if you do, will be properly maintained.

The State committee has given this project priority in the State. All of those in the State are familiar with it. And a member of our Blue Ridge District is, also, a member of the State committee.

To get briefly into a cost of dollars and cents which you are concerned with and, of course, we are, too, I should like to make a few remarks.

If 1 year ago we had had this project underway, in connection with one of the State's highways that crossed one of these creeks, we could have reduced the cost a good \$75,000. This was necessary because at the present time the State highway department took the high flood into account and the cost of making this bridge. As a consequence, if the dam had been in we could have reduced the cost of one bridge by \$75,000.

I cannot state for the State highway department, nor would I want to imply, that there is any other bridge that is not to be built over any of these creeks, but I think that you gentlemen can surmise for yourselves from your knowledge of your areas and other areas, in connection with the building of roads and so forth, but that is going on and will be going on.

I should briefly like to tell you about the situation, some of the things that we cannot put into reports or cause to be put into figures.

I should like to say that if you toured this area you will see that it has reached a stage where a lot of people who were once maintaining good farms—and you can see by the size of the homes that they have, and from the age of these homes you can tell when they were built—and if you go through the area right now where the farms are you can see what has happened. When you look down on a nice river bottom and you see that river bottom has not been cultivated you see that the brush has been allowed to grow on it. And the question comes to your mind, "Why does this happen?" "Is it due to laziness?"

And you get back to the very question that if you have ever planted a crop, and I am sure that you have and I know that I have, and you have put in an acre of land with fertilizer and lime, it costs you, at least my costs, for example, when I do it runs anywhere from \$35 to \$50 an acre, and the crop gets up, and then you have a hard rain and it is flooded out, that is something that a farmer cannot take very many times. And after it happens to him several times, he has to move on.

I think that you can go through this area and see that this has happened frequently. I can show you land with fine homes on it that were built, perhaps, around 30 or 35 years ago and which the people have had to abandon, the farm has run down. And I think that has been a direct result of flooding. This man may have had a good farm and may have been a good farmer, but if the man up the stream—and you say that he does not benefit directly—does not do his job and we do not do something to protect the man down the stream, he cannot do it alone. It is something that all of the people in the area must do.

I should just like to say in that regard that these people in this area have gotten behind this project 100 percent. I know from experience that when you first go into an area and someone says something and does it right it spreads. I remember in the little valley in which I live, when I first moved there, there was not a single

farmer, for example, planting alfalfa. I am not bragging, but I happened to be one of the first that planted a large amount of it. They said that it would not grow in this area. Well, I will say that over the hayland better than 75 percent of it inside of 10 years has been changed from timothy to alfalfa and more productive crops.

I know that the same thing will happen in this area if we give these people a chance and get the thing started so that they can take one area and let it grow from thereon into a good farming practice.

Mr. POAGE. We thank you very much. Are there any questions?

What would be the estimated value of the land in the valleys?

Mr. STEELE. Well, sir, when you get into evaluating land in an area, as the gentleman from Kentucky may realize as we have in Virginia, you have a lot of land that is on the hillsides. You cannot go out and buy as farms just the bottom lands. I cannot buy any of it. Or let me put it this way: I will sit right here, if I have the money, and write you a check anytime for bottom land \$300 or \$250 an acre without looking at it. That is, if you can buy it for me at that price. Usually, in Virginia you will find that you will—that you can take a bigger bill of 100, and that includes the bottom land, the land that you can use for pasture and the woodland—because most of the farms that I know of in Virginia have those three conditions in them—as I say, that would be roughly the figure that you would start from. And if you have good bottom land with the potential that may be available for irrigation without too much cost, from the creeks, then I would say that the price of that land could easily go up to, possibly, to as much as \$400 and \$500 an acre. That has been my experience with land.

I think in this particular area you can, perhaps, may have higher values than that because you are fairly close to markets. And being close to town makes the land more valuable. You have more customers for the land.

Mr. JOHNSON of Wisconsin. What is the value of the land that you talk about when it is flooded—that part of it?

Mr. STEELE. I would get that information from these people that live right on the scene, I mean they could give you more accurate figures than I could and they could, certainly, substantiate them.

Mr. JOHNSON of Wisconsin. This price of \$200 and \$300, is when the land is not flooded?

Mr. STEELE. Yes, sir. I am assuming that you can use the land; yes, sir. I am not talking about any other land. On the other, you would have to sit down and do a little figuring as to what the cost of the dam would be and what you can afford to farm it for. Sometimes you can justify it that way, if you can keep your costs down. You can do a little arithmetic and figure it out yourself.

Mr. POAGE. That is what we are trying to do here. We do not believe we have the right to go into these projects unless we are willing to back up our judgments and say that it is something that will pay out in the long run.

Mr. STEELE. I believe that the members of the soil conservation district feel very much the same way you do, that if we had not thought that this was a worthwhile project we would never have recommended it or helped to work up the work plan or have done anything else.

Mr. POAGE. I am sure that you felt that way or you would not have said it. I am sure that the Department felt that way about the project or they would not have sent it up to us.

Do you think that there is ever a project that is sent up here that ought to be turned down?

Mr. STEELE. I am not familiar with all of the projects, let me put it that way.

Mr. POAGE. Do you see any reason for having this committee go over projects—

Mr. STEELE. Yes, I think there should be a reason for you to go over them.

Mr. POAGE. There is no reason for our going over them if we approve them all, is there?

Mr. STEELE. Let us go back and have a little more faith in the people who are sending them up here.

Mr. POAGE. If we have enough faith in them there would not be any reason for our passing on them, would there? If we are willing to have enough faith in the people who send them up here there is no purpose in the world in this committee wasting time holding hearings on these things, is there?

Mr. STEELE. I guess someone has to be the watchdog of the money. I am sure of that.

Mr. POAGE. Not if the watchdog principle simply approves all projects, then why keep the watchdog?

Mr. STEELE. If you have a lock on the doors how many people are going to rob the store? If you have a lock, there is less likelihood that it will be robbed or attempted to be robbed than if the door is not locked.

Mr. POAGE. Should we lock the door on everybody?

Mr. STEELE. I think you are the door—I mean, you are sitting here looking after the way the program is set up—your committee has that in hand, and we are not going to try to go in the door if we know that it is locked.

Mr. POAGE. It is not locked. We, certainly, are not going to say that we are going to turn down everybody. We know that we are not. We have approved 95 percent of the projects that have come before us; that is, we have so far. We hope that we can approve even more than that. Certainly, we never turn down anybody or everybody. That seems to be the question. There are members of this subcommittee who do not feel that we ought to turn down any project. There are others who feel that if we are going to pass on these projects we must exercise thought. I want to know if you believe that we ought ever to turn down one or automatically approve all of them.

Mr. STEELE. We have turned them down in our area, let me say. We have had projects submitted to us that we did not think were justified, and we did not want to spend the money.

Mr. POAGE. We would much rather that they would be turned down at the local level, because it causes us trouble. It is embarrassing for people to carry them a long ways and then get turned down.

Mr. STEELE. I think that you will have to decide on maybe some of these districts that do not function the way we do. Maybe they do not try to be as careful as we are. We certainly try to be.

Mr. POAGE. They allege that they try to be. We have never had one come in who would admit that they were not extremely careful. And I am inclined to believe them. I think that they make an honest

effort. I do not think that we have had any cases of fraud brought before us. We have not seen any of that.

It is a question of where should the breaking line be, if there should be one.

First is the question, Should there be one? I think that you are rather hesitant to say whether there should or should not be, and I do not blame you.

Mr. STEELE. You are asking me to make a decision which, so far as I am concerned, is Congress' responsibility.

Mr. POAGE. If you will agree that it is Congress' responsibility, we are willing to accept it, but I do not know whether you want to agree that it is Congress' responsibility.

Do you think that Congress should every turn down a project that has been approved at the local level and approved by the Bureau of the Budget—do you think that Congress should ever turn one down?

Mr. STEELE. Gentlemen, I think that you were elected to govern. The members of the Blue Ridge Soil Conservation District were elected to do certain things. We receive absolutely no compensation at all for anything we do. We serve our time freely and gladly.

Mr. POAGE. I think that you are doing a wonderful work, and I think that you should be congratulated on doing that.

Mr. STEELE. I feel that you gentlemen are responsible for the spending of this money.

I want to say, so far as my personal feelings are concerned, that if you say that there is a project in Alaska and you have so much money for projects, and the project in Alaska will use most of it, and our project in Leatherwood is less important, we will vote for you to give it to Alaska, but if you have the money and there is no one else with a greater need than we have, I think that you should give it to us.

Mr. POAGE. I think that you put yourself in a bad position on that, because we certainly have many projects which could show a lot greater monetary attractiveness than yours can. We think there are probably hundreds of them over this country. Yours happens to be clearly in the high-cost bracket. I would not say that it is the highest. Some will run a good deal higher than yours that we have here, but we have hundreds of them that will run less cost per benefited acre, as we see it, than yours does. Surely, you do not want to put it on the basis that those who can show the greatest benefit should have all the money. If you do that, you will put all of them out in the Great Plains area. We do not want to do that.

We believe that they ought to be scattered around the country. We do not believe that they all ought to go into one area.

We are not going to put them up for bid, that is certain.

Mr. STEELE. Let me just get into it a little bit this way: You gentlemen know that for agriculture we have spent about \$7 billion, roughly. We do not do much to help the man who is trying to conserve the soil. We have money that we pay out for all of the soil-depleting crops. Every one of these supported crops is soil depleting.

This is a soil conservation crop. I think there is as much difference between that as there is between day and night.

In our area it is one of the few things that you can do to benefit us.

You support grain, for example. We feed our cattle grain. And it costs us more money in Virginia.

So I say, gentlemen, we will put it on that basis.

Mr. POAGE. That is exactly the basis that it was put on.

Mr. STEELE. I said spread it around. I said, or I did not say just consider the things we are talking about here. I am thinking of the overall agricultural picture.

Mr. POAGE. I am sure that you are trying to see that we all get a fair break. I think that is the way it should be, but I think that you must realize there are some other things.

It has been stated that as to this project there are all of the rights-of-way which are being provided locally, and that is true in every project in the United States. The law specifically requires that we not spend a dollar of Federal money until that is done.

So while it is a laudable thing, everybody has done that same thing.

You pointed out that there was a guarantee as to the maintenance. That is true of every project in the United States, because we do not go into these projects until that guarantee is posted.

So those are two things you have done that every other project in the United States has done. You are not to be condemned for that, but it does not set your project apart from anybody else's. I mean, they are all on exactly that basis, and I think they should be. Had you not done those things, it would not have reached this committee for consideration, because the Department would not have sent it up if it had not been complied with.

So those are arguments that apply to every project that ever comes before us.

Really, the whole question here is that we want to know if we are spending more money than we ought to spend for the benefit we are getting. Is that not really the whole question?

My recollection is that it is about \$400 of Government expenditure for every acre. I do not have the last year testimony before me, but as I recall it, that is about what it comes to.

Mr. Brown, is that not about what it comes to for every acre that will be protected that is now flooded, that is, that it costs about \$400 per acre?

STATEMENT OF CARL B. BROWN, ASSISTANT TO THE ASSISTANT ADMINISTRATOR, SOIL CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. BROWN. We testified last session that considering only the direct agricultural benefits, which amount to about 85 percent of the total benefits, the costs applied to the 1,335 benefited acres in the flood plain average out \$300 per acre.

Mr. POAGE. That is really the whole question. Should we spend \$300 per acre on land that is worth approximately \$300 an acre?

Mr. TUCK. Did I not understand from your testimony, too, Mr. Brown, that you or Mr. Wetzel or someone for you in the Department testified that your plans and reports show that this land was worth from \$200 to \$500 an acre?

Mr. BROWN. Yes, sir; we gave those figures that were quoted here, that the range in value of the flood plain land is \$200 to \$500 per acre.

Mr. POAGE. The whole question comes back—and I know it is a matter of judgment as to how much we could spend—as to how much tax

money we should spend on private property and just how far we should go. I know some say that you ought not to spend \$10 an acre of public money—there are those who believe in it and there are those who ask us to spend \$1,500 per acre. So you have a wide range of beliefs. I cannot say whether \$200 or \$300 or \$500 is a proper figure. We would like to have some judgment from those of you who know.

How much do you think we should spend per acre?

Mr. TUCK. I would think that would depend on the circumstances.

I say this, that I would not be here unless I thought that you should spend the amount mentioned here.

Mr. POAGE. I understand. How far should we go, because we are not going to spend \$300 per acre on your project and then turn down the next man who comes in with \$300 per acre. You realize that.

Mr. Montoya is sitting back there. He has a project which possibly involves an expenditure that is somewhat comparable to this. We are not going to approve \$300 per acre for this project and turn his project down if it cost about the same. You understand that.

If we approve a plan to spend \$300 per acre in Virginia, we will give that in Minnesota. And we will give it in Nevada and in Massachusetts. You would not want us to do otherwise.

Mr. TUCK. No; I want to be fair to all projects concerned.

I am not able to answer your question as it relates to other projects, however.

Mr. POAGE. You would not want us to pay out large sums in Virginia and then deny comparable treatment elsewhere, would you?

Mr. TUCK. I would not, unless there were some sound reason why it should not be done.

Mr. POAGE. We have, I think, clearly stretched things as far as we could make them stretch, wherever we could find there were some benefits to some town or some bridge or some other resource of that kind. In those instances we have considered that, and we are willing to consider it in your case. We are here this morning rather hoping that you can present us with some special benefits that we have overlooked.

In all seriousness, if we can see such benefits, we will certainly approve it. I think that I can speak for this subcommittee on that.

Mr. TUCK. I understood, sir, that the land was very valuable and that the cost per acre would enhance the value of the land that we already have there.

Mr. POAGE. I am sure that it will. The only question is: How far should we go? How far would you go in your business?

Mr. TUCK. In this case, if I were a member of the committee and in your place, sir, I would approve of it. I will say that.

But, of course, I think each case has to be judged on its own merits.

Mr. POAGE. We cannot judge each case on its own merits. We have to give the other fellow just as favorable consideration as we give Virginia. If we give Virginia more favorable consideration than we do Kentucky, we will have to go back and open the doors for Kentucky. As long as I am chairman of this subcommittee, giving one State more than another is something that I will not do.

Mr. TUCK. We have not said anything to give you or the members of this committee the impression that we are asking for any special favors for our State. We thought that our application came within

the requirements. The Département of Agriculture thought so. The Blue Ridge Soil Conservation District thinks so.

Mr. POAGE. That leads to the conclusion that possibly we should not pass on these things at all. In all seriousness, I say that. Maybe we ought not to pass on them. We do not pass on those involving less than \$250,000. We accept as final—I mean, that is the law—the action of the Department on those that involve less than \$250,000. Maybe we ought not to pass on anything that involves less than \$10 million, or some other figure. Maybe we ought to have some other figure.

We are groping. We do not know the answer to that, any better than you do, but if, in fact, it is a mistake for this committee to pass on these things, we ought to find out. And we ought to have some change in the law so that we do not waste your time and our time and these citizens' time who come here, because if we are not going to pass on them—if we simply accept the fact that the Department has approved these things and, therefore, they ought to be approved—if we simply accept that as a fact, then there is no reason in the world for our having these hearings.

I am not saying that there is—maybe we ought to stop these hearings—but if we are not going to have them, let us have the Members of Congress tell us to wipe it out, because we would like to know if the people really want us to pass on these or they do not.

Mr. TUCK. We want you to pass on ours. That is the reason we are here. I certainly am not in any mood to favor the abrogation of the powers of this committee. I think it is very worthwhile to have these powers, even though, as you pointed out—I do not know what the percentage is—where you denied a very small percentage of these requests, yet, nevertheless, the fact that you are here, I think, serves a good purpose, in that it causes various soil conservation districts to be more careful in what they recommend.

And I think that it has a healthy effect on that particular agency in the Department of Agriculture and, of course, it has some effect on the Members of Congress who come here and sponsor these things. Even though you may not deny over five out of each hundred, that could and does have a very useful purpose for the people of the Nation.

Mr. POAGE. I appreciate this statement. That is most helpful to us. In discussing these things, I think that is more helpful to us than anything else, to have such a discussion as this. I know that you have many people who want to be heard. We will be glad to hear them.

Mr. TUCK. We have some seven or eight others who would like to be heard. Our time has been used up. I would like to call Mr. Philpott, who is a member of the house of delegates from Henry County, and Mr. Burch, and some others.

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

Mr. TUCK. Mr. Philpott is a distinguished member of the house of delegates.

STATEMENT OF HON. A. L. PHILPOTT, MEMBER OF THE HOUSE OF
DELEGATES OF THE STATE OF VIRGINIA

Mr. PHILPOTT. Mr. Chairman and gentlemen of the committee, I told the Congressman that I would approach this with a good deal of hesitation. I do not want to become involved in debate with the chairman of this committee, who knows more about this subject than I do.

Mr. POAGE. We do not know enough.

Mr. PHILPOTT. I am a country lawyer and do a little bit of farming.

I would like to say this, that this Congress has been very generous, certainly, to me and my family and my neighbors up there, because I live right at the foot of the Philpott Dam Reservoir, which this Congress appropriated the money for and built back in 1948-51.

I would say that prior to the building of that dam, I could have told you an awful lot about the hazards of the stream that flooded annually, or several times annually. I have seen the products of my labor for the year go down the river every time there came a hard rain up on the Blue Ridge Mountains, and the Smith River came down and washed all of the wheat and corn down the river, and things of that nature.

If you have not experienced that, that is the most frustrating experience, to see the products of your labor for a whole year washed down the stream.

I live in the western edge of my county. This is in the eastern edge.

I am somewhat familiar with this. I know that this has happened over the years of these farmers. I might say that this is in the tobacco-growing area of our county.

I know also that in this area this farming has almost been abandoned on the creek. There is practically no farming in that area.

I will say that it is excellent bird-hunting territory, when it has grown up with a lot of cover. But there is no farming of any appreciable amount.

Mr. POAGE. It is fine for the bird hunters?

Mr. PHILPOTT. Yes. We feel that this land can be made productive. This is rich land, not poor land.

These people are abandoning the land because they just do not want to go in there and raise crops and have them washed down the stream.

To say how much value this land has today and how much it would have after a flood control project would be most difficult.

I would have to agree that land values in Henry County are probably much higher than in some other sections of our State and in our area, because of the fact that the western portion of Henry County is highly industrialized.

This area that we are talking about is not industrialized. We have no industry at all in this area. Essentially it is farms. That is its product. Our farm products in 1959 amounted to \$1,500,000. And they came from this area.

I do not have the figures as of today as to what our farm product was last year, but farming is such that, in other words, we are losing

the farm production and our farmers are going out of business and seeking employment in industry.

If we are going to keep farmers in Henry County and the farm income is to be a major factor, this is a very vital project to us in dollars and cents. I cannot tell you how much it will benefit us per acre.

I would say this, that if the land is now worth \$200 an acre, I can cite as an example the territory where I live; when the Philpott Dam was constructed the value of our farmland down there increased over 500 percent. And I can assure you that when we realized we would not have to watch our products wash down the river, you could not buy it for anything now. And before, we were almost ready to give it away.

I feel like these people in this area feel much the same way.

Land is valued in Henry County from \$100 an acre on up, some of this land which I am familiar with, which you could not buy for \$1,000 an acre. It is not for farming, I must admit. This area is adjacent to the city of Martinsville and it is valuable land. We have a very definite need for land use. We frankly are not in the shape of Washington, D.C. I can appreciate the sacrifice you make in coming down here to Congress, because of this traffic. I would not live here for all of the money in the world.

We are not in that position down there, but we do have a problem securing adequate land. We feel this project has many intangible benefits, more than just what you and the gentleman who represents the Blue Ridge Soil Conservation District were discussing, because I know very little about that, but I can tell you something about the use of land in this area and the need for land in this area.

Henry County's population has expanded over the last 20 years more than 100 percent. Last year we had almost a 50 percent increase; that is according to the last census report.

We would certainly hope that you gentlemen would give us the opportunity to bring back this land into productivity by the use of the various projects for water conservation and flood control.

This area in green on this map is practically all cut-over land and not producing anything. We have to get it back into production, even if it is only in timber. It is wonderful cover, as you are aware, now, and it holds the soil.

But if we can bring the crops back to the bottomland, we can use the other areas, the hilly and mountainous areas, for pastures and homesites and for other things that we need the land for in this area.

We feel like the project is worth while, so far as our local economy is concerned. Whether this committee, in going into the overall picture, feels that is true or not is something that you will have to make the decision on. We feel that it is.

Mr. McINTIRE. There is a good portion of the land that is now out of agricultural use by virtue of the uncontrolled flooding of this watershed, is there not?

Mr. PHILPOTT. This whole area practically is out.

Mr. McINTIRE. It is out?

Mr. PHILPOTT. Yes.

Mr. McINTIRE. In view of the population increase and the need for land for other than agricultural use, do you expect that this project

would result in a large proportion of this land going back into agricultural use or into uses other than agricultural?

Mr. PHILPOTT. The land that is directly affected, I believe, in the bottomland would go back into agriculture, not into other uses. We can convert the other parts into other uses, but this area is positively the richest area of our county, if we can get it back into productivity.

Mr. McINTIRE. Thank you.

Mr. POAGE. Thank you.

Mr. TUCK. Next we have Mr. Burch. I would like to call him, and then we will leave with you the names of the others.

Mr. POAGE. We will be glad to hear from any of them who want to talk.

Mr. TUCK. Mr. Burch is a nephew of the late Hon. Thomas G. Burch who represented our district in Congress and who served with you.

Mr. POAGE. We will be glad to hear from you now, Mr. Burch.

STATEMENT OF THOMAS J. BURCH, MARTINSVILLE, VA.

Mr. BURCH. Mr. Chairman and gentlemen, let me get over being scared. I am not used to this.

I would like to go back, if you do not mind, to the comparative prices of the Philpott Dam. Before the Philpott Dam was built, the land along the Smith River, which is above the project, which is very close to it, sold for approximately, if it was sold, because it was flooded so often that it was hard to sell, for approximately \$300 to \$500 an acre. That is just below Martinsville.

In June of 1960 I sold some of that bottom land between \$900 and \$1,000 an acre.

I am just showing you the differences in the prices of land. That is, if it is not flooded, what it will do for it.

This particular bottom land was converted into commercial uses. It could not be used before for commercial uses. It is ideal for commercial uses. Probably that is not relevant to this at all. This land would go back to agriculture that we are speaking of here.

I am in the real estate business. It so happens that the Department of Agriculture has asked me to serve at times and I have filled out their forms as to the values in Henry County and the surrounding area there, and I give them comparative prices.

The last one I filled out was, I believe, in October. I probably should have brought my copy of that along. If I had known that it would be needed, I would have done so, which would have given you the comparative prices. It gave the prices for the bottom land and for the recent trades in the land in terms of sale.

I can give you this example in this area. I can give you the example of Simmons' farm which, as compared to those in Texas, is small. It is 600 acres. And compared to the number of cattle you have, he had about 100 Black Angus that he runs there.

It floods his pasture. It costs him considerable money each year because of that. You could not buy that land, even though it is flooded, today for \$1,000 an acre. He would not sell it, because he is in the cattle raising business.

In this area above, sir, we have in Henry County, especially, people who are like the Kings of Texas. Finally, we have been able to get some of this land from them, and it is developing.

The farming principally is the eastern end of our county. The reason why this district did not go industrial is because it could not get the land, because the people would not sell it. The people are trying to develop it since it has been able to be purchased.

There is one thing that I might bring up by which Mr. Frank can tell you. I believe that the flood of last year cost him about—how much?

Mr. FRANK. About \$12,000 to \$15,000.

Mr. BURCH. I will tell you of a purpose for this land which you will not approve of. It is for country clubs. They have dredged the creeks, thinking that would help. The flood ruined it for them. It cost them a tremendous amount of money to get it back in shape again. Of course, I know that is something that should not be even talked about, a country club. But farmland is something that you can talk about, and the development of it.

I sell real estate and, therefore, I now know the problems they have with their bottom land. We are trying to find a way to do this. You say that there is development down there that is being endangered, and if so, we want to know about it and take it into consideration. If it is to put in a lake or something else, we still want to take it into consideration.

It is not a housing development, because we do not have any there. We have individual houses going in there.

Mr. POAGE. Where are those?

Mr. BURCH. They are in this area where the floods really hurt you. For instance, on Highway 58 there is a new bridge. This concerns the highway department. I do not know this, but they told us at the hearing we had in the courthouse in the county. They are making four lanes out of Route 58 at the present time. At the present time they have approved a contract and are working on the roads to within a mile of this bridge. They have bought the land to the bridge and have started the construction or will next year. This is between Martinsville and Danville at the present time, which is along this road, U.S. Highway 58. This bridge on Route 58 which they will have to build they said would cost them considerably less money if this project went in.

Mr. POAGE. What is that?

Mr. BURCH. They said had they known that this was going in at that time, had they known in time it would have saved some thousands in this particular bridge up there.

Mr. POAGE. If we could have testimony on that—it seems to me that a statement from the highway department in Virginia as to how much they would have saved as the result of this it would help. Maybe some of you gentlemen might be interested in testifying now as to the benefits that can be anticipated from protecting this urban area that you are referring to. And we would like to have those things in the record. Unless we can get them in this record we cannot consider them. We cannot consider these matters unless they get into the record.

Mr. BURCH. We have the same thing with this.

Mr. TUCK. We have the Honorable Mr. Gusler who is chairman of the Board of Supervisors of Henry County here. Is there anything that you want to say?

STATEMENT OF SAM S. GUSLER, CHAIRMAN, BOARD OF SUPERVISORS, HENRY COUNTY, COLLINSVILLE, VA.

Mr. GUSLER. Mr. Chairman and members of the committee: I would like to say that the board of supervisors is very much interested in this project. I do not live in the Leatherwood district. I live out of it.

The board has cosponsored the program and is very much interested in it. The board asked me to come up here today to do anything that I could.

Mr. POAGE. Can you tell us if Henry County is going to have a saving as the result of this; and, if so, how much—just what does it consist of?

Mr. GUSLER. Do you mean from the cost standpoint?

Mr. POAGE. The money that you will spend is tax money. We have been told that on certain highways you could save a certain amount of money and the county could save a certain amount of money. And if so, how and where?

Mr. GUSLER. It would be pretty hard for me to say how much.

We could have a considerable saving, I am sure, in our highway funds and appropriations which we could spend somewhere else that would be spent on the bridges, as Mr. Burch brought out.

Mr. POAGE. You do not spend any money on those highway bridges. That is your county I am talking about. You have to get it from the State highway department? You are not financing the bridges?

Mr. GUSLER. That is right. But the State highway department appropriates so much money within the county. And if we do not have to spend it on the bridges, we can spend it on the roads.

Mr. POAGE. You will not ever spend that money on Highway No. 58, will you? The U.S. Government furnishes about 90 percent of that money, does it not?

Mr. TUCK. All of our highways, both primary and secondary, in the State of Virginia, are public highways and are built and maintained by the State highway department.

Mr. POAGE. I see. In other words, the State spends the money.

Mr. TUCK. The State spends all of the money on all of the highways. Of course, the amount that is spent on the highways is allocated to the various counties by reason of certain formulas the legislature has adopted. Of course, the supervisors of each county determine to some extent how it will be spent, but it is all State highway money.

Mr. POAGE. I see. In our State the county takes care of the county roads and the State takes care of the State highways. And the interstate highways are taken care of there by the Federal Government.

Mr. GUSLER. The board of supervisors handle this and if we can save on the bridges, there would be money for other purposes. A bridge was washed out on this creek some years ago, and if this watershed had been in, probably we would not have lost the bridge.

We feel like, as Mr. Philpott has said, that as we grow, our counties grow and the population has grown and this area has not grown as most of the timber has been cut off of the land and there is no timber

left so that the people are going away, and it is going into pasture land and hayland, that if we could, as has been indicated, get this project over, then we think that it would develop as Mr. Philpott has said.

If there is any further information that we can get or send to you, we will be glad to do so.

Mr. POAGE. I think that will come from the State highway department.

Mr. TUCK. I have made a note of that and I am going to get that right away.

Mr. GUSLER. We will appreciate any consideration you will give this.

Mr. TUCK. Next is Mr. Lafe P. Prillaman, who is chairman of the Democratic committee and he would like to have something to say.

**STATEMENT OF HON. LAFE P. PRILLAMAN, CHAIRMAN,
DEMOCRATIC COMMITTEE OF MARTINSVILLE, VA.**

Mr. PRILLAMAN. Mr. Chairman and gentlemen of the committee: I have no doubt in the world but this project would work and that the money you spend on this project would still make it a terrific project. As Mr. Philpott has said in his statement and others, I believe with them. I do not think there is anything else that I can add that has not been said already.

Thank you very much.

Mr. POAGE. Thank you.

Mr. TUCK. Now, we have Mr. William F. Franck, president of the Chamber of Commerce of Martinsville, Va.

**STATEMENT OF BILL FRANCK, PRESIDENT, CHAMBER OF
COMMERCE OF MARTINSVILLE, VA.**

Mr. FRANCK. Mr. Chairman and gentlemen, I did not think that I was going to have anything to say. I am not much of a speaker. I became interested in this Leatherwood project primarily when they started a new housing development in a portion of it. And coincidentally, I became president of the chamber of commerce and since then I became doubly interested because we are very much interested in cooperating with both our city and county in unified activities.

I cannot give you any dollar figures at this time, but I would like to emphasize the fact that even in this area that Mr. Burch has reference to, where there is a sizable residential district going up, part is on one side of the Leatherwood Creek area and part on the other side. In order for it to be a complete unit you have to bridge Leatherwood Creek which is insurmountable as an obstacle, so far as costs are concerned.

If I recall correctly, if there were no floods the cost of a bridge would be around \$5,000, if I am not mistaken, and to build a bridge that could carry even residential traffic it would be around \$3,500—I mean \$35,000.

Down below this residential district there are quite a few flat land areas that are served by a branch of the Southern and Northwestern Highway which are adequate areas for farmland now or for industrial sites. We have the problem of not being able to have industrial sites

in our area, because most of them have already been taken up. We find that the area has quite a bit of demand for industry, but our problem is in trying to serve them.

I have already touched on the residential part.

This project of a recreation area did include a golf course. However, it has all of the facilities that would make for a fine residential area. We have been pushing that, as well.

As I say, that was my original interest.

I am sure that the chamber of commerce would like very much to put their 2 cents into cooperation with the gentlemen here.

Thank you.

Mr. POAGE. Thank you.

Mr. TUCK. We have used 20 minutes more than the time allotted to us and we are trespassing upon the time of the distinguished gentlemen from New Mexico and Florida. We have three others present. I will be glad to call on them, if you desire.

We have Mr. Reuben Davis, who is treasurer of the Blue Ridge Soil Conservation District, and Mr. Lawrence, Jr., who is chairman of the Leatherwood Creek watershed project, who lives right in the area.

We also have Mr. Kay L. Thompson, Jr., who is here as a reporter for and as editor of the Martinsville Bulletin, but who is also a citizen of the area and interested in this.

I do not imagine that any of them have anything new as to what has already been said. If there are any questions you wish to ask them or any of us, we will be glad to answer them, if we can, and if we cannot, we will undertake to get the answers. If any of these gentlemen have anything to say that has not already been covered, I am sure that you will be glad to hear from them.

STATEMENT OF C. F. LAWRENCE, JR., CHAIRMAN, LEATHERWOOD CREEK WATERSHED PROJECT, AXTON, VA.

Mr. LAWRENCE. Mr. Chairman and gentlemen, this area up here is mostly owned in large land units. It is all timber which has been cut off, that is, probably all of the merchantable timber. Therefore the farmers below get their troubles from that.

The small farmers in here probably own 20 or 30 acres of hilly land and they are the people that get hurt. They also have acres in the bottomland.

If those dams were put in here to protect the small farmers, then they would derive the benefit, plus the people could go along with soil conservation to conserve this land in soil conservation practices.

The small farmers located in the bottomlands with 200 or 300 acres have abandoned the bottomland and are trying to farm out on the more hilly sections, which is not good, and he cannot carry out soil conservation practices as a result, and therefore, he is probably losing money farming each year, and eventually he will have to quit farming.

The channel work is involved below the dams. And with soil conservation practices and these other practices, they would be very helpful. It would help them more than any other.

Certainly those channels would help to improve the conditions. Then he would be able to go back to farming the more productive land

to raise better crops, which he cannot do now, and put the other into timber and into grazing or what-have-you, or whatever he might go into.

When you get into the flood plain area, the land is owned by those who have from 100 to 150 to 200 acres. They would benefit, and the people above would benefit by putting their soil back into soil conservation practices, into reseeded the land and to practice erosion control and the like.

Mr. JOHNSON of Wisconsin. Is there any way you can tell how many small watersheds have been put in to date in the central area of Virginia?

Mr. LAWRENCE. In that general area?

Mr. JOHNSON of Wisconsin. In that general area, yes.

Mr. LAWRENCE. I think one is being built now.

Mr. JOHNSON of Wisconsin. In what county is it?

Mr. TUCK. It is in the Roanoke area.

Mr. LAWRENCE. It is not completed; it is under construction. That is one of the smaller ones that was not, perhaps, before this committee.

This could have perhaps been put into three small projects and it would have been in that class. And by doing that we could have had this. We could have had, say, a small project for these people on this tributary, and not have built this one over here, and it perhaps could have been done that way.

Mr. POAGE. Are there any questions?

Mr. TUCK. We thank you very much.

Mr. POAGE. You have other gentlemen here with you. They have come here. We do not want anybody to feel, who has come here, that he could not be heard. We shall be glad to hear anyone else.

STATEMENT OF KAY L. THOMPSON, JR., MARTINSVILLE BULLETIN, MARTINSVILLE, VA.

Mr. THOMPSON. Mr. Chairman and gentlemen, there is one thing that has not been pointed out. I am sure that your committee is interested in water conservation, too. We are interested in the protection of the watershed for use in relationship to any future growth there.

Some years ago the city built a reservoir at considerable expense and now has an ample supply of water. However, when they built that reservoir, the engineer told the city council that the next time they needed water that Leatherwood Creek probably would be the best source for it.

I am in the newspaper business. I am with the Bulletin. We think that we need a better balance between agriculture and industry in Henry County.

In 1954, the last figures available, the value of our farm product was \$1,443,587. At the same time, based on the manufacturing census of 1958, the city had by manufacturing added to its production \$24,264,000.

We just feel that we should protect some of the richest agricultural land we have there in Henry County. We feel, too, that this watershed would probably be the source of further industrial expansion by giving us an ample supply of water in that part of the county.

Mr. POAGE. Public Law 566, under which the dams are built, specifically provides that any municipality that wants water can join with the Federal Government in the construction of these dams and pay the additional cost to store the amount of water that they want.

Mr. LAWRENCE. That is not required now.

Mr. POAGE. But I am asking—

Mr. LAWRENCE. If they need the water, they will be willing to pay for it.

Mr. POAGE. It will be too late then, because if the dams are built—I was asking if you are participating—you are not?

Mr. LAWRENCE. We are not. It has its own water supply.

Mr. POAGE. Thank you very much.

Mr. TUCK. Thank you very much, Mr. Chairman.

Mr. POAGE. We thank you. And if you will ask the State highway department to give us that information, we shall appreciate it.

Mr. TUCK. Yes, sir; we will ask them to get that information in to you.

(The information referred to above follows:)

COMMONWEALTH OF VIRGINIA,
DEPARTMENT OF HIGHWAYS,
OFFICE OF DISTRICT ENGINEER,
Martinsville, Va., March 10, 1961.

Mr. T. J. BURCH,
Martinsville, Va.

DEAR TOM: With reference to my recent conversations with you in regard to the effect that the Leatherwood Creek watershed project would have on our secondary roads in Henry County, I think that it is a reasonable fact to assume that upon completion of this project, future improvement work on secondary roads in the area affected by this project would show a reduction in present estimated cost figures, especially with regard to roadway drainage structures, in that the required roadway opening will be materially reduced, therefore reducing the cost.

A factor that also must be taken into consideration is the roadway erosion control to be performed along with this project, thus reducing future maintenance costs on roads in the area. However, the exact effect on future maintenance and construction costs would require a study which would have to be authorized by our central office in Richmond.

I personally think with the above-mentioned factors in mind, that the Leatherwood project will benefit our secondary roads in Henry County, in addition to the other various primary benefits for which it is to be constructed.

Yours very truly,

D. H. GAULDEN, Jr., *Resident Engineer.*

COMMONWEALTH OF VIRGINIA,
DEPARTMENT OF HIGHWAYS,
Richmond, Va., April 21, 1961.

HON. W. R. POAGE,
Chairman, Subcommittee on Conservation and Credit, House of Representatives, Congress of the United States, Washington, D.C.

DEAR MR. POAGE: It was a pleasure to receive your letter of April 18, 1961, and I welcome the opportunity of giving you the additional information that you requested on the highway savings estimated for the department of highways, should the Leatherwood Creek watershed project in Henry County be constructed.

On Henry County secondary Route 620, we now have a substandard 61-foot span steel truss bridge which must be replaced as funds become available. According to the drainage requirements of the Leatherwood Creek watershed area, a replacement structure of three 50-foot spans will be required. Should the watershed project be constructed, we believe the length of this span can be

reduced to 100 feet with a resultant saving of one 50-foot span at \$300 per foot, or \$15,000.

As to the other item of saving to the highway system and its users, I would hesitate to break down this estimated cost benefit by placing unit costs on such intangibles as inconvenience to traffic and hazard to life and limb from flood conditions. Certainly, the benefits of eliminating these inconveniences and hazards would be considerable and, in my opinion, could easily reach an equivalent monetary value of \$100,000.

Sincerely yours,

H. H. HARRIS, *Commissioner.*

Mr. POAGE. We want to know if we are making a sound investment. I do not believe that you feel that the U.S. Government should spend money to increase the value of individual's land. But we do know that, as compared with other projects, your cost is high. We would like to have evidence that we have overlooked some benefit, and we assure you that if we can find those and get the ratio down in line with the other people, that we will give as favorable treatment as has been given anybody else in the United States. We can assure you of that. We will not knowingly give you better treatment than others.

Mr. TUCK. We hope that we have not put ourselves in the position of asking for better treatment.

Mr. POAGE. I do not mean that at all.

Mr. TUCK. I certainly want to thank you and the members of this committee for hearing us at such great length. At the same time, I want to apologize to you for overstepping the limit of the time which was allotted to us this morning. I certainly want to apologize to my colleagues and good friends from New Mexico and Florida for that. I hope that I have not interfered with them too much.

(The following letters were also submitted to the subcommittee:)

SALE KNITTING CO., INC.,
Martinsville, Va., February 21, 1961.

HON. WILLIAM M. TUCK,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR GOVERNOR TUCK: This is to advise you that Tom Burch is working on additional information for the Leatherwood Creek project, and he will get it into your hands within the next week. You may want to hold this letter to go along with that information that Tom Burch sends you.

If you will recall, Mr. Poage's committee was very much interested in the recreational possibilities of the lower portion of the Leatherwood Creek area.

For your information, there are approximately 400 acres currently in this residential recreation area, with land currently selling, during 1961, at approximately \$2,500 per acre. This area embraces an 18-hole golf course, swimming pool facilities, and horseback riding.

During the spring of 1960, when we were in the early development stages of this project, we lost an estimated \$19,000 due to the four major floods we had in the area. Of this amount, we spent approximately \$5,000 to build up dikes, hoping we could prevent further flood damage. We are just now entering the 1961 flood period, so we have our fingers crossed on the possibilities of more damage.

All in all, there are approximately 2,200 more acres which will be developed as part of this project, only after the success of the first 400 acres.

I mentioned to you the fact that there was land down below this project that is extremely flat, and is bordered on one side by the Carolina & North Western Railway. These would be considered excellent industrial sites, provided there was no further fear from floods.

Thanking you again for your interest in the above, I wish to remain,

Yours very truly,

W. F. FRANCK.

CRESCENT LAKE FARMS,
Martinsville, Va., February 23, 1961.

Congressman WILLIAM M. TUCK,
House of Representatives,
House Office Building,
Washington, D.C.

DEAR CONGRESSMAN TUCK: It has come to my attention that you desire information on the lowlands that are flooded below the proposed Leatherwood project.

This is to advise that we have more than 100 acres of bottom land on the Leatherwood Creek that is flooded each time the creek overflows its banks which is from 6 to 10 times each year.

We would like very much to plant some of these bottoms in row crops, particularly corn silage but since we lost the last three crops that were planted on these lowlands, we have not used them for cropland for the past 5 years.

All of our bottom lands on Leatherwood Creek are very fertile land and we are sustaining quite a loss due to the fact that they are flooding. This land would be worth approximately \$50 per acre per year more to us if it did not flood.

Trusting that the above information will be helpful and that the above mentioned project will be approved.

Yours very truly,

CRESCENT LAKE FARMS,
By E. R. EANES.

MARTINSVILLE, VA., February 23, 1961.

Congressman WILLIAM M. TUCK:

We are very much concerned about the Leatherwood Creek watershed program. I have about 70 acres of land that is damaged by flood or washing which I feel is the most productive land I have which could be put to use if the dam is built. I feel that this land would be worth approximately \$60 per acre to me if I could use it. I feel like the flood waters and washing is damaging me about \$4,200 per year.

Thanking you very kindly for your attention and if I can be of service, please advise accordingly.

Very sincerely,

W. S. DONAVANT.

NOVEMBER 29, 1960.

Mr. J. F. BLAIR,
Secretary, Blue Ridge Soil Conservation Service,
Chatham, Va.

DEAR MR. BLAIR: We understand that the Leatherwood Creek watershed project was recently restudied with the idea of more adequately presenting it to the congressional committee for approval. A question came up regarding the possible benefits of flood control to the highways both in the watershed and downstream, particularly regarding potential damage to bridges and allowing more modest design of replacement bridges.

We have recently let a contract for construction of a bridge over Leatherwood Creek just below two of your proposed dams. Had the project been complete and functioning at the time this bridge was being designed we could have undoubtedly, by cutting down the open waterway capacity of this structure, saved a considerable amount of both State and Federal highway construction funds.

We can foresee such savings in future design of bridges both in and downstream from the project if it is completed according to plan.

We trust that the project will receive approval and be completed as promptly as possible.

With kindest regards, I am,

Yours very truly,

E. A. HICKS, Jr.,
Associate Landscape Engineer.

REIDSVILLE, N.C., March 2, 1961.

Re Leatherwood Creek floods damage.

Congressman WILLIAM M. TUCK,
House of Representatives,
House Office Building, Washington, D.C.

DEAR MR. TUCK: We have over 200 acres of bottom land along Leatherwood Creek and Camp Branch which empties into Leatherwood Creek that is very fertile land and would produce bumper crops of corn and hay if it could be protected. As it is, this area floods so often much of it has had to be abandoned.

Recently, a very considerable sum was spent there to clear the banks of these streams and try to partially protect this land and get it into production. Before harvest time, floods destroyed the crops and washed out bridges.

Many acres of corn and hay have been covered with mud by backed-up water of these floods. A young farmer in attempting to go thru the road to get home, was swept off a floating bridge and would have drowned if the current had not lodged him in a willow tree below until help could reach him.

The value of the crops on this rich bottom land, if protected, would be at least \$75 an acre or more, net, but both tenants and I have decided the gamble of work and materials is too big to risk. Even to use it for grazing is not safe, for occasionally rains far above us will cause floods below on this section, and cattle will drown unless found and driven to higher land in time.

Trusting that this information will be helpful, and thanking you for your interest in our problem, I am,

Yours very truly,

Elsie S. Watt
Mrs. L. E. WATT.

TORTUGAS ARROYO

Mr. POAGE. We are going to consider further Tortugas Arroyo in New Mexico, and we have present Congressman Joe Montoya and Congressman Morris, of New Mexico, with such witnesses as they may want to present to discuss the projects.

Will you take charge?

STATEMENTS OF HON. JOSEPH M. MONTOYA AND HON. THOMAS G. MORRIS, REPRESENTATIVES IN CONGRESS FROM THE STATE OF NEW MEXICO; ACCOMPANIED BY FRED A. DAY, DIRECTOR, PHYSICAL PLANT DEPARTMENT, NEW MEXICO STATE UNIVERSITY, AND JOHN L. GREGG, MANAGER, ELEPHANT BUTTE IRRIGATION DISTRICT, LAS CRUCES, N. MEX.

Mr. MONTOYA. Mr. Chairman and members of the committee, first of all, I want to thank you for giving us a rehearing on this project. I want to assure the committee that if our testimony would be purely and strictly repetitious we would not be taking the time of the committee in this instance, but having availed ourselves—

Mr. POAGE. Would those of you who want to talk please step outside while Mr. Montoya proceeds with his presentation? We are glad to have you here, but please let him proceed. He cannot proceed intelligently when discussions are going on.

Mr. MONTOYA. To continue with my statement, having gained experience from the committee's inquisition and ascertaining what the expectations of the committee might be, what information it may require, we have gone back home and tried to formulate a comprehensive approach which we feel will answer all of the doubts of the commit-

tee and bring us within the orbit of justification standards set by the committee for these projects.

We have here some documentary evidence which I believe constitutes confirming proof of justification for this project, which I will turn over to the committee for its review, but I want to highlight briefly what is in the data that I have submitted.

In the previous hearing there was doubt expressed by the committee as to the value of the acreage, and I must admit that there was conflicting testimony on this particular evaluation. However, we present to the committee now photostatic copies of deeds to land in the area affected. The documentary stamps exemplified by these photostatic copies reflect the value on the deeds and our people arrived at an approximate figure or an average figure of valuation per acre of land of, approximately, \$1,000 in this area affected.

In addition to that we said previously, with respect to this project, we are presenting today additional evidence which reflects clearly the additional benefits which will be derived, if this project should be authorized, by one of the outstanding agricultural institutions in the country, the New Mexico State University, which is an agricultural land-grant college. It borders on this arroyo and part of the land which the university owns forms an integral part of this project.

And here today to present testimony along these lines is Mr. John L. Gregg, manager of the Elephant Butte Irrigation District, and Mr. Fred A. Day, director of the Physical Plant Department of New Mexico State University.

I have with me here my colleague who, with me, has prepared a joint statement which we would like to file with the committee, supplementing our individual personal presentations.

Mr. POAGE. Without objection it will be made a part of the record at the end of your statement.

Mr. MONTROYA. I would like to call on Congressman Morris to make a statement.

(The prepared statement of the Honorable Thomas G. Morris and Joseph M. Montoya follows:)

STATEMENT OF HON. THOMAS G. MORRIS AND HON. JOSEPH M. MONTROYA, REPRESENTATIVES IN CONGRESS FROM THE STATE OF NEW MEXICO

The Tortugas Arroyo watershed protection and flood prevention project in Dona Ana County near Las Cruces, N.M., should be approved by Congress. It would greatly reduce flood damages to fertile farmlands, valuable land and other properties of New Mexico State University.

This project is sponsored by the Elephant Butte Irrigation District in accordance with the requirements of Public Law 566, 83d Congress, as amended. That organization has acquired the rights-of-way and easements for the project at a cost of \$10,500. Because of farsighted early action, a saving of considerable money was made in securing these rights-of-way and easements. The district will also provide for operation and maintenance costs estimated at \$1,310 annually.

The project includes two floodwater retarding structures, floodwater diversions, a disposal channel, and appurtenant structures for watershed protection and flood prevention.

Total cost of the project is estimated at \$342,641 of which \$332,141 is Federal and \$10,500 is provided by the local irrigation district. No funds are asked for land-treatment measures because a substantial part of the land area involved is rangeland.

An arroyo is defined generally as a steep-sided watercourse or gulch, usually dry except after heavy rains, with a nearly flat floor and U-shaped cross section.

Tortugas Arroyo covers 15,584 acres of which about 10,100 acres are federally owned and managed by the Bureau of Land Management. This arroyo starts from an elevation of 8,800 feet in the Organ Mountains and slopes westward, dropping 3,875 feet to the Rio Grande flood plain south of the city of Las Cruces. The arroyo runs through valuable properties of New Mexico State University.

Sudden, heavy flash floods occur in the arroyo mainly during July through the early part of October. The vegetative cover of the rangeland on the steep mountainside is inadequate to effectively slow down the rushing waterflow or to hold soils in place against the torrents. The rushing floodwaters carry soils and debris downward, form pools, and damage growing crops including cotton, alfalfa, vegetables, small grains and grain sorghums. Deposition of soil and debris causes an added expense of clearing and leveling the land; it also obstructs irrigation, plugs culverts, and interrupts cross-country traffic on Highway 80, which connects with the Holloman Air Force Base and the White Sands Missile Range. The A.T. & S.F. Railway line from El Paso, Tex., to Albuquerque, N. Mex., also is damaged occasionally by floodwaters from severe storms.

The Tortugas Arroyo passes through a land area owned by New Mexico State University which is about the only area available for expansion of urgently needed new facilities for this rapidly growing institution. The minimum cost of acquiring alternate sites for facilities expansion would amount to \$750,000.

In the last 10 years the number of university students has doubled and now totals 3,300. This rapid expansion is expected to continue. Effective measures for flood prevention are a requisite to the further expansion of facilities for housing, classrooms, research, services, and national activities of the university.

New Mexico State University has the only agricultural school in the State and is the center for both Federal and State agricultural services in New Mexico. Its academic and engineering schools have high ratings. Conservative estimates indicate that when the Tortugas Arroyo is adequately controlled, the university will be able to use 675 acres of space now lying idle due to the threat of floods. The university's funds for physical expansion are limited. Consequently, it is imperative that the university's present landholdings be protected.

The number of acres of farmland subject to damages from flashfloods in the arroyo total 3,325 acres when severe storms occur and when the Las Cruces lateral irrigation canal is filled and broken, shutting off irrigation service to valuable farmlands during the growing season.

In the last 20 years approximately 25 floods have occurred. The cultivated farm area adjacent to the arroyo which is immediately and most frequently flooded amounts to 553 acres; this area was heavily flooded in 1935, 1941, 1957, and 1958. The area subject to immediate and prolonged interruption of irrigation services with resulting crop damage, when the Las Cruces lateral is broken amounts to 1,718 acres. The lower and less immediate area, which amounts to 954 acres, is partially inundated at the same time. The latter area is subject to heavy flooding by 50 and 100 type storms. The upland, cultivated mesa area subject to flood damage amounts to 100 acres. There are 74 ownerships in the 3,325 acres involved.

Interruptions to irrigation service because of floods are extremely serious because they occur during the critical period of crop growth, particularly of long staple cotton which is not in surplus. The value of cropland in the mesa or upland areas amounts to about \$1,000 per acre and the value of lower level cropland averages around \$1,200 per acre. The average annual crop values for all crops in the lower level lands from 1955 to 1959, inclusive, have ranged from \$227 to \$291 per acre.

It is calculated that this watershed project will bring about a 95 percent reduction in flood damages to the Tortugas Arroyo area, particularly to the agricultural sections.

Average annual costs of the project are estimated at \$13,393, and benefits from watershed protection and flood prevention are estimated at \$28,846 annually. This represents a ratio of 2.15 for benefits as compared to 1 for costs. Obviously this is a very good ratio in favor of the project.

The Tortugas Arroyo watershed protection and flood prevention project will bring about improvements of significant value. It will protect assets of the people of New Mexico and of the people in the other States in the Union because it will provide protection for natural resources, farm improvements, highway and railway lines, and will permit the growth of essential educational, research and national defense facilities.

The Tortugas Arroyo watershed project merits the support of the Congress. I urge that favorable action by this committee be taken on it at an early date.

Mr. MORRIS. Mr. Montoya, Mr. Chairman and gentlemen, I would just like to say this to the committee: We want to thank you for your consideration of this project. We think it is a very good project and it is very vital to Las Cruces and to Dona Ana County in New Mexico.

It has a benefit-cost ratio of better than 2 to 1.

The Elephant Butte irrigation district has already invested better than \$10,000 for rights-of-ways and improvements. It will provide flood control and protection for 3,300 acres of cultivated farmlands valued, as my colleague has very modestly stated—he said \$1,000—and that is a conservative figure. It would actually, to be exact, be more in the neighborhood of \$1,150 valuation per acre of cultivated land, of the 3,300 acres that this project would provide flood control protection for.

In addition, it will help to provide flood control protection for Highway 80 which is a vital link between the White Sands Proving Ground which is a very important Federal installation in our national defense program.

It would be of great benefit to the New Mexico State University with their land that will be protected by this project. It offers the best and most economical land for future growth and expansion of this important university.

These people who are here from New Mexico have come a long way and have a much more thorough knowledge of the project than I do, and I would just like to yield the balance of my time to these gentlemen, Mr. Gregg and Mr. Day, to testify on this project in behalf of the State of New Mexico and New Mexico State University.

Mr. POAGE. Which will be first?

Mr. MORRIS. And I will be glad to answer any questions you may have.

Mr. POAGE. Where do you get that figure as to the number of acres?

Mr. MORRIS. Let me have the map. There are 675 acres of land that belong to New Mexico State University. There are 535 acres of land immediately adjacent which was heavily flooded in 1941, 1957 and 1958.

The area subject to immediate and prolonged interruption of irrigation services resulting in crop loss and crop damage when the irrigation lateral is broken amounts to 1,718 acres.

The lower area of the project which, if granted would be subject to less flooding but, nevertheless, subject to flooding in times of heavy storms, amounts to 954 acres.

Mr. POAGE. This supplemental information which was filed with us says that this project will benefit farms having a total number of acres of 1,500 and so forth.

Mr. MORRIS. I included in my statement the 924 acres that are subject to flooding. I grant you, Mr. Chairman, that it will not be subject to flooding every time that it rains, like the other 2,500 acres of the project.

Mr. POAGE. According to this supplemental figure, you will, of course, have to have the figures to substantiate these. These are presented here without any substantiation whatsoever. They are

merely carbon copies that have been sent here. I do not know under whose authority. If this is a correct statement, if it reflects the truth—

Mr. MORRIS. That is why we brought Mr. Gregg and Mr. Day here.

Mr. POAGE. I say that this brings your costs well down within a reasonable limit, that is, these figures do. There is no substantiation of those figures in the record, however. There is no evidence, even a letterhead printed here on this to show from whence it came. I am frank to say that I do not know where we got them. If you have somebody here who was in a position to substantiate those figures, we should like to have that. Is there someone here who knows how many acres there are and can testify as to how many acres would be benefited by it?

Mr. MORRIS. Mr. Gregg is the manager of the Elephant Butte Irrigation District and he can testify.

Mr. POAGE. We will be glad to hear from him.

Mr. GREGG. Mr. Chairman and members of the committee, I would like to make my statement with the map in order to conserve the time of the subcommittee. I will file a complete statement and merely summarize it orally.

We, also, have an aerial photograph of the land, copies of these and ground photographs which we have selected to substantiate the statements that we propose to make here today.

We feel that the authorization of the construction of the Tortugas Arroyo project is the substance for a number of reasons.

First and foremost is that it will protect the 3,325 acres of valuable agricultural land lying immediately below the arroyo. This land is as follows:

The red area here consisting of 553 acres, is land that is flooded every time there is any flow in the arroyo at all of any substantial amount. This entire area is completely inundated and crops are lost and other damage is caused.

Simultaneously, at the time this red area is flooded, the flood breaks the Las Cruces lateral which serves an extensive area below where the arroyo enters the valley. In addition to the inundation of these 553 acres, there are 1,718 acres, the yellow area on this map, that are completely and entirely cut off from irrigation services until the ditch is repaired.

And when, in the case of major flows, several thousand feet of this irrigation district are interrupted, the sole source of water to the entire area, crops are deprived of water. Since it usually occurs at times of crop peak growth, the loss is extremely serious. In other words, there are almost 2,330 acres of it which are immediately affected by heavy flows in the Tortugas Arroyo.

In addition to the 2,300 acres we find west of the railroad an area which is flooded by a major rise, such as those that could be expected from the 50- or 100-year period storms. The reason is that the highway and the railroad adjacent to this area do not form a protective barrier. There are drains that go underneath the road and through these the flood flows. I have witnessed this myself. The water comes down in such volumes that it actually goes over the railroad tracks and proceeds to flood this area over here west of the railroad. So that we feel that there should be added to the 2,300 acres an

additional 954 acres of land of a highly productive nature which are subject to damage by major flows.

Also, there are additional 100 acres of mesa or upland adjacent to the valley that have been in cultivation in recent years.

And the sum of these figures is how we arrived at our 3,320 acres of land which are directly and immediately affected by the floods from the Tortugas Arroyo.

We are just trying to get something in the record. Mr. Brown, can you agree with that?

Mr. BROWN. Mr. Chairman, I would like to make a statement. This is the first project, you will recall, in which the question of the cost per acre was raised by this committee. On that account I made a personal inspection of this project early in December. I went over it with Mr. Gregg and with the members of our Soil Conservation Service Planning Group in New Mexico. I have personally visited each of these benefited areas and have reviewed the supplemental information which Mr. Gregg has presented to the committee here. And we are in entire agreement with their statement.

Mr. POAGE. All right. There is one other phase. What is your present estimated Federal cost? We have a figure here of \$308,000 and we had a figure of well over \$300,000—I have forgotten the exact figure—which we had last fall.

Mr. MONTAYA. \$823,000 you had.

Mr. POAGE. Something like that. Is \$308,000 the present estimate of cost?

Mr. BROWN. Mr. Chairman, I did not realize there were two figures. I think it is \$332,000.

Mr. MONTAYA. \$342,000.

Mr. BROWN. \$342,000. The Federal cost is \$332,000 of the total cost.

Mr. POAGE. That is what I have. But now these figures that are presented are somewhat different. Frankly, does anybody know who presented these figures to us, who got this out, this supplemental statement of information of the Tortugas Arroyo watershed in New Mexico? It says Montoya and Morris which was written on it, but that is all the identification there is here.

Mr. MORRIS. Maybe those are the worksheets.

Mr. POAGE. We have these copies which were sent in here, and I do not know what for.

Mr. MORRIS. I think that those are our worksheets.

Mr. MONTAYA. I brought the file around.

Mr. MORRIS. Those are our worksheets, I think, Mr. Chairman.

Mr. POAGE. That has been presented to us. Where did this come from? Who presented it?

Mr. MONTAYA. I do not recall ever having presented it.

Mr. POAGE. Somebody presented it to us and it is in our files. If it is correct, we want to know that. If it is not correct, we want to know that. We want to know if it is the fact.

Mr. GREGG. Those figures are not correct. These figures that I have just presented are the correct ones.

Mr. POAGE. How many acres did you figure?

Mr. GREGG. 3,325 acres.

Mr. POAGE. And you are figuring a cost of \$332,141, is that right?

Mr. GREGG. Yes, sir.

Mr. POAGE. That will run about \$173 an acre, roughly?

Mr. GREGG. That is without taking into consideration any of the indirect benefits of which there are more than appeared in the original report, upon which I would like to make a statement to the committee.

Mr. POAGE. Do you agree, Mr. Brown, that the costs will not exceed \$332,141?

Mr. BROWN. Mr. Chairman, we have made no reevaluation of the cost. The Department stands on the cost figures which are in the official plan which came up, which I believe is the one that he is quoting.

Mr. POAGE. That is correct.

Mr. BROWN. We have not changed the cost figures.

Mr. POAGE. You agree that this cost, this per acre cost, is substantially correct?

Mr. BROWN. Yes.

Mr. POAGE. That would bring your cost down to about \$125 an acre or something on that order?

Mr. GREGG. About \$100.

Mr. MONTROYA. A hundred.

Mr. POAGE. It will bring it down to about \$100.

Mr. MONTROYA. Yes, that is right.

Mr. POAGE. It surely will. In other words, these figures, these revised figures, clearly bring you within what we have been approving in the way of costs.

Mr. BROWN. I believe what we stated in the last session that we had been making these plans on the basis of the immediately observable direct benefits, that when they were sufficient to demonstrate that there was a favorable ratio of benefits to cost, we did not try to go further than that and pick up all of the potential benefits. And for that reason our planning party out there agreed, after they had reviewed and evaluated the benefits of this red area, they had not included in the plan all the potential benefits that would accrue to these other areas. We are now agreed that this larger acreage is protected. Also the benefit-cost ratio has been increased, because the cost remains the same and the benefits are now considerably larger than were previously evaluated.

I believe the original benefit-cost ratio was about 1.2 to 1, and it is now in the neighborhood of 2 to 1.

Mr. POAGE. Even if we figured it at \$125 an acre, I realize that the 50- to 100-year period flood is rather speculative and you do not contemplate controlling such floods, do you?

Mr. GREGG. They propose to control at least the 50-year flood.

Mr. POAGE. You told us that the 50- and 100-year flood flooded these lands across the railroad. If this controls the 100-year flood, you would not have much benefit across the railroad. Even if the 2,500 acres are benefited, your cost is \$173 per acre.

Mr. GREGG. I have personally seen this area over here flooded.

Mr. POAGE. I know you have.

What I am saying is that if it is only the 100-year flood that does it and they do not control the 50- and the 100-year floods, you have not achieved anything by building this dam, as far as these lands are concerned, have you?

Mr. JOHNSON of Wisconsin. If they have the 100-year flood, the dam will not hold it, will it?

Mr. POAGE. You are not trying to hold the 100-year flood with this dam, are you?

Mr. BROWN. When we say it will control the 50-year flood, we mean fully control. In other words, the water will begin to go over the emergency spillway at the level of the 50-year flood, but you have an effect beyond the 50-year level—you have a degree of control between the 50- and 100-year level.

Mr. POAGE. That is right.

Mr. BROWN. So for certain kinds of floods, there would be benefits that would not accrue to those acres shown in the orange color down here.

Mr. JOHNSON of Wisconsin. It would not take the dam out, so that the area will probably not be flooded by the 100-year flood?

Mr. BROWN. There would be a benefit in the reduction of damages from floods above the 50-year level on this acreage.

Mr. POAGE. Let me say this, off the record.

(Discussion off the record.)

Mr. POAGE. We will go back on the record.

Mr. MORRIS. We thank the committee for their consideration and thought.

Mr. POAGE. We are glad to have had you here.

Mr. MONTOYA. We thank you, Mr. Chairman.

(The letter of R. B. Corbett, president of New Mexico State University and the statement regarding Tortugas Arroyo watershed project follow:)

NEW MEXICO STATE UNIVERSITY
OF AGRICULTURE, ENGINEERING, AND SCIENCE,
University Park, N. Mex., October 3, 1960.

Mr. JOHN GREGG,
*Elephant Butte Irrigation District,
Las Cruces, N. Mex.*

DEAR JOHN: Your help is vitally needed to control the flood threat of the Tortugas Arroyo.

New Mexico State University is growing rapidly. Enrollment this fall is 14 percent above last year, and the rate of increase is rising. It seems clear that the campus must expand across the arroyo in the near future.

The university owns 30 acres south of the arroyo which can be greatly affected by the arroyo unless there is flood control. We believe that this 30 acres must be brought into use.

The university has in its airstrip, 4,000 feet of paved runway, valued at \$75,000. The continued existence of this runway is threatened by possible change in course during an arroyo flood.

For the benefit of the community, the university has offered 50 acres of land for the construction of a city-county hospital. If the arroyo were controlled the desirability of this site would be greatly enhanced. Since we already have a request for a retirement center in this same area, partially anticipating the development of the hospital, and there are interests of other groups centering around the development of the hospital, the importance of complete arroyo control to the hospital site is obvious.

As the school grows the 500 acres to the south of the arroyo will eventually be needed, and control of the arroyo is a must for this development.

It is estimated that the total interest of the community and the university in the control of the Tortugas Arroyo is in the neighborhood of \$750,000. It is essential to the continued planning ahead of the university that confidence in the use of this land be established.

Your help is so vitally needed. All that you will do will mean much to the university and our whole community.

Sincerely,

R. B. CORBETT, *President.*

SUMMARY OF SUPPLEMENTAL STATEMENT REGARDING TORTUGAS ARROYO WATERSHED PROJECT

This section summarizes the information presented in the supplemental statement regarding the Tortugas Arroyo watershed project. Detailed discussion of the summary statement appearing below will be found in the supplemental statement immediately following this section and under section headings identical with those shown below.

A map showing the location of the Tortugas Arroyo and the areas that it affects is attached. Aerial and ground photos that show the situation created by an uncontrolled Tortugas Arroyo and also provided.

THE EFFECT OF THE TORTUGAS ARROYO UPON NEW MEXICO STATE UNIVERSITY

The student body of New Mexico State University has doubled in size during the last 10 years and now totals 3,300. This rapid expansion is expected to continue in the future. In addition to its educational and research functions, New Mexico State University makes a substantial contribution to national defense through cooperative programs. It has been necessary to greatly expand the physical plant of the State university to provide instructional, housing and service facilities for the increased student body and space for research and national defense activities. The area available to the State university for expansion is traversed by the Tortugas Arroyo. The presence of the uncontrolled arroyo has limited the State university to the use of a relatively small area of hill land on which heavy expenditures for land leveling must be made before it is suitable for construction. Other lands owned by the State university in the vicinity cannot be used because an uncontrolled Tortugas Arroyo either makes them inaccessible or subjects them to the continuous threat of floods. New Mexico State University has an interest in the control of the Tortugas Arroyo aggregating \$750,000. This figure represents the value of State university improvements now subject to flood damage, and the minimum cost of securing alternative sites for State university expansion if it is not able to use land already available because of the existence of an uncontrolled Tortugas Arroyo.

THE EFFECT OF THE TORTUGAS ARROYO UPON HIGHWAY AND RAILROAD TRANSPORTATION IN THE VICINITY

All major highways from El Paso, Tex., to the north and west cross the Tortugas Arroyo and are subject to heavy damage by floods. The Atchison, Topeka & Santa Fe Railway line from El Paso, Tex., to Albuquerque, N. Mex., is occasionally damaged by floods from this arroyo. Heavy floods in the Tortugas Arroyo have disrupted highway and railroad transportation facilities from El Paso to the north and to Arizona and California. Unless the arroyo is placed under control it will completely paralyze transportation facilities in this area when heavy floods occur.

THE TORTUGAS ARROYO PROBLEM IS NOT THE RESULT OF FAULTY ENGINEERING IN CONNECTION WITH THE CONSTRUCTION OF IRRIGATION PROJECT FACILITIES IN THE ELEPHANT BUTTE IRRIGATION DISTRICT

Control of the Tortugas Arroyo has always been beyond the financial resources of the Elephant Butte Irrigation District. The locations of project irrigation canals and drains in the vicinity of the Tortugas Arroyo were dictated strictly by topography and a desire to afford at least some protection to farmlands and highways from minor flows in the Tortugas Arroyo.

THE EFFECT OF THE TORTUGAS ARROYO UPON AREAS EXPOSED TO OCCASIONAL FLOOD DAMAGE

There are 954 acres of farmland located west of the Atchison, Topeka & Santa Fe Railway that will be subject to heavy flooding and damage when floods occur of a type that can be expected once in 50 or 100 years. This area has been flooded in the past.

THE VALUE OF MESA, OR UPLAND AREAS ADJACENT TO THE TORTUGAS ARROYO

Mesa (upland) areas in the vicinity of the Tortugas Arroyo have become quite valuable in recent years. Values of \$1,000 per acre are common. One hundred acres of this land have been brought into cultivation.

ACQUISITION OF RIGHT-OF-WAY FOR TORTUGAS ARROYO WATERSHED PROJECT

All right-of-way for the project has been acquired. Early action was necessary because of anticipated acquisition difficulties and to avoid the effect of rapidly increasing land values in the area.

THE NUMBER OF ACRES OF FARMLAND AFFECTED BY THE TORTUGAS ARROYO AND
NUMBER OF OWNERSHIPS

There are 3,325 acres of farmlands affected by the Tortugas Arroyo, divided as follows:

	Acres
Area frequently flooded (adjacent to Arroyo)-----	553
Area subject to heavy flooding by 50- and 100-year floods (west of A.T. & S.F. Ry.)-----	954
Area cut off from irrigation service by flood damage to irrigation ditch (south of flooded area)-----	1,718
Mesa (upland) area in cultivation and subject to flood damage-----	100
Total-----	3,325

The above acreage includes 74 ownerships.

GROSS CROP VALUES AND THE VALUE OF FARMLAND IN THE ELEPHANT BUTTE
IRRIGATION DISTRICT

Average annual gross crop values per acre for all crops during the period from 1955 to 1959, inclusive, have ranged from \$227 to \$291. This information is from official U.S. Bureau of Reclamation crop reports. Lands values, evidenced by recent sales, have averaged \$1,178 per acre. Copies of deeds are attached to support this statement.

TORTUGAS ARROYO WATERSHED PROJECT BENEFITS AND COST PER ACRE OF THE PROJECT

Based on additional information presented herein, we believe that a fair and accurate restatement of average annual primary benefits resulting from the reduction of floodwater, sediment and indirect damage by the construction of the Tortugas Arroyo Watershed project is as follows:

Original average annual floodwater, sediment and indirect damage reduction benefits (total)-----	\$15,757
Additional average annual floodwater, sediment, and indirect damage reduction benefits (total)-----	13,089
Revised total-----	28,846

The reallocation of cost to land protection based on the application of revised floodwater and sediment damage reduction benefit percentages to total Federal cost results in a cost per acre of farmland benefited of \$58.

Detailed computations are shown in the corresponding portion of the text of the supplemental statement under the above heading.

For a detailed discussion of each of the above sections, please refer to the same heading in the complete supplemental statement.

SUPPLEMENTAL STATEMENT REGARDING THE TORTUGAS ARROYO WATERSHED
PROJECT

(Prepared by Elephant Butte Irrigation District, Las Cruces, N. Mex.)

The following material is presented as new, and additional, evidence to substantiate the need for the Tortugas Arroyo Watershed project.

The Tortugas Arroyo flows through an area that is either already highly developed for agricultural, residential, commercial and public uses, or which is in

the process of becoming so. The safety of present development, and the extent of future development, will depend upon whether or not the Tortugas Arroyo is controlled.

THE EFFECT OF THE TORTUGAS ARROYO UPON NEW MEXICO STATE UNIVERSITY

The Tortugas Arroyo enters the property of the New Mexico State University at a point approximately $1\frac{1}{2}$ miles east of the center of the university campus. Property of the State university is located on both the north and south sides of the arroyo.

New Mexico State University has grown rapidly during recent years. The student body has doubled in size during the last 10 years and now totals 3,300. New Mexico State University is the second largest educational institution of university rank in New Mexico. It has the only agricultural school in the State and is the State center for both Federal and State agricultural services of all types. Its engineering and academic schools rank high. New Mexico State University provides important services in connection with guided missile work at White Sands Missile Range, an important defense installation located nearby. Some temporary defense research installations have been placed within the Tortugas Arroyo flood plain due to the lack of other suitable space to accommodate them.

The steady increase in the number of students attending New Mexico State University has necessitated an expansion of the physical plant required to provide instructional, housing and service facilities for the student body, and to provide the additional services required of the institution by the State. The institution will undoubtedly continue the rapid expansion that it has experienced during the past 10 years.

The area within which New Mexico State University can expand its physical plant is limited to the areas located to the east and to the south of the present campus. It is through these areas that the Tortugas Arroyo flows. Expansion of the State university to the north is blocked by an extensive residential area. To the west of the campus are located the valley agricultural lands of the State university that are devoted to research and experimental work. These lands have already been infringed upon for nonagricultural purposes and they cannot be diverted to additional nonagricultural uses without seriously crippling the important agricultural experimental work that is carried on by the State university. This situation limits future expansion of university facilities in the area of the present campus to the east and to the south where the only vacant lands in the vicinity of the institution are located. The Tortugas Arroyo, now uncontrolled and flowing through this potentially usable area, carries such heavy floods at times that use cannot be made of a considerable area of State university property located along both sides of the arroyo because of flood hazard and lack of accessibility.

The State university air strip, now located on the north bank of the Tortugas Arroyo and in the only area suitable for this purpose, is subject to serious damage at any time. No alternate area that is accessible is available. Low areas, consisting of several hundred acres located in the Tortugas Arroyo flood plain to the east and south of the present campus, which could be used for institutional purposes, cannot be so utilized until the Tortugas Arroyo is brought under control. Until the danger of flooding is removed, this land must remain idle, even though New Mexico State University is facing a shortage of suitable space for both present and future expansion. The State university is seriously handicapped in making use of high land that it owns on the south side of the Tortugas Arroyo because this area is cut off by the arroyo and will remain inaccessible until the arroyo is controlled. Any access that might be provided by heavily traveled and limited access interstate highways in the area is impractical and does not solve the problem that confronts New Mexico State University. Inaccessibility of much acreage owned by the State university, because of an uncontrolled Tortugas Arroyo, has created a serious problem for the institution, which will continue unsolved until the arroyo is controlled.

In connection with the serious problem that confronts New Mexico State University as a result of the presence of an uncontrolled Tortugas Arroyo, it should be made clear that State university property unaffected by the arroyo consists largely of hill land located east of the present campus. Preparation of this land for building involves land levelling costs which impose a heavy burden upon the limited funds available to the institution for the necessary expansion of its physical plant.

New Mexico State University physical expansion should be carried on in the area in which the present campus is now located; rather than be transferred to other areas at some distance from the present campus. Not only would the initial cost of acquiring alternate sites for expansion be heavy, but the inconvenience and cost to the institution and to its student body, faculty, and administrators of carrying on the activities of an institution scattered over a wide area would be appreciable. Consolidation of the physical plant of the State university in the area of the present campus is essentially if the institution is to operate at maximum efficiency and carry out the tasks assigned to it by the State and Federal Governments. Such consolidation, however, will not be possible as long as the Tortugas Arroyo remains uncontrolled.

It is conservatively estimated that, when the Tortugas Arroyo is controlled, New Mexico State University will be able to make full use of 675 acres of additional, and badly needed, space for institutional purposes that is now lying idle because of the danger of floods, or because it is isolated by the Tortugas Arroyo.

A copy of a letter from Dr. R. B. Corbett, president of New Mexico State University, confirming the extent of the interest of the university in the control of the Tortugas Arroyo, is attached. This letter clearly indicates the urgent need for the control of the Tortugas Arroyo and the fact that such control is absolutely essential to the continued progress and necessary expansion of the State university. The letter brings out the fact that the interest of the university and the adjoining community involves property values aggregating \$750,000, or twice the present estimated cost of the Tortugas Arroyo watershed project. This sum is arrived at as follows:

Potential value of 145 acres of land adjacent to the Tortugas Arroyo, the use of which is limited as long as flood danger exists (equal to minimum cost of alternate sites)-----	\$145, 000
Value of State university air strip located adjacent to the north bank of the Tortugas Arroyo, which is subject to continual threat of flood damage-----	75, 000
Potential value of land located south of the Tortugas Arroyo which cannot now be utilized because of flood danger from, and isolation by, the arroyo—530 acres (equal to minimum cost of alternate sites) -	530, 000
Total-----	750, 000

Reference is made to the green colored areas on the attached map for the locations of New Mexico State University property, including that affected by the Tortugas Arroyo.

Aerial photos 1, 3, and 4 clearly show the New Mexico State University situation with reference to the Tortugas Arroyo. Those photos are attached to supplement and to substantiate the statements made herein.

We respectfully request that full consideration be given to the importance of controlling the Tortugas Arroyo from the standpoint of New Mexico State University and the adjoining community.

THE EFFECT OF THE TORTUGAS ARROYO UPON HIGHWAY AND RAILROAD TRANSPORTATION IN THE VICINITY

New Interstate Highway 10 (formerly U.S. 80-85) now crosses the Tortugas Arroyo a short distance south of the campus of the New Mexico State University. This is now the principal highway carrying traffic northward from El Paso, Tex., to Albuquerque, N. Mex., and westward to Arizona and California. In addition to its importance as a route for passenger and commercial traffic, it is of great military importance in that it links the military installations in the vicinity of El Paso, Tex., with those to the north and west. Actual interruption and the threat of interruption of traffic on this highway because of damage inflicted by the Tortugas Arroyo, would be serious, not only by reason of interference with normal passenger and commercial traffic, but for military reasons. This highway has been in operation for about 5 years and, despite the fact that this period has been largely one of subnormal rainfall in this area, there have been two occasions, in 1957 and 1958, when floods reached the pavement and came within a few inches of overtopping, and seriously damaging, the highway. An exceptionally heavy flood in the Tortugas Arroyo, such as one occurring once in 50 or 100 years, will destroy the highway crossing over the Tortugas Arroyo, and bring traffic to a standstill. There is no satisfactory alternative route for traffic now traveling on this highway. The old highway, located in the valley about 1 mile west of

the new highway, has been heavily flooded by the Tortugas Arroyo on numerous occasions. Both highways, therefore, are simultaneously affected by floods from the same source.

A final location has been made for a new interstate highway to the north which will cross the Tortugas Arroyo 1 mile east of the present highway and will be subject to the same danger of flood damage and traffic disruption as are the two existing highways. A section of this new highway has already been completed to a point 2 miles north of the Tortugas Arroyo crossing and additional construction is now underway to the south. This new highway will be in use within 2 years. No satisfactory alternative locations for these new highways were available.

The Albuquerque-El Paso branch of the Atchison, Topeka & Santa Fe Railway Co. is located parallel to old U.S. 80-85 and is subject to damage and interruption of traffic by Tortugas Arroyo floods. Railroad service has, on several occasions during the past 25 years, been interrupted by Tortugas Arroyo floods. In August 1958, for instance, floodwaters from the Tortugas Arroyo flowed over the roadbed of the railway line at a point 4 miles south of Las Cruces, N. Mex. The railroad has, over the years, spent a considerable sum of money in protecting its roadbed and in repairing damage inflicted by arroyo floods. Field inspection indicates that an exceptionally heavy flood, such as one occurring once in 50 or 100 years, would destroy a portion of the roadbed and would lead to a prolonged interruption of traffic. In addition to ordinary freight and passenger transportation, the Albuquerque-El Paso branch of the Atchison, Topeka & Santa Fe Railway serves two important military areas located in, and adjacent to, those cities.

Since all northbound and westbound highway traffic, as well as northbound railroad traffic, from El Paso, Tex., must proceed over highways and a railroad line subject to heavy damage by the Tortugas Arroyo, it is obvious that an exceptionally heavy flood in that arroyo would completely paralyze transportation facilities out of El Paso to the north and west. The effect of this upon military traffic, under wartime conditions, is obvious. Its effect upon commercial and passenger traffic would be identical. The protection to transportation facilities in this area that would result from the control of the Tortugas Arroyo is, by itself, a factor of great importance in considering this project. We respectfully request that full consideration be given to the need for the control of the Tortugas Arroyo from the standpoint of protecting vital commercial and transportation facilities that are now subject to heavy damage and disruption by floods originating in the Tortugas Arroyo.

The locations of principal highways, both existing and planned, are shown on the map accompanying this statement.

Aerial photos 1, 2, and 4 show the relationship of the Tortugas Arroyo to highway and railroad transportation facilities and are offered to supplement and to substantiate the statements made herein.

THE EFFECT OF THE TORTUGAS ARROYO UPON IRRIGATION SERVICE

When heavy runs in the Tortugas Arroyo break the Las Cruces lateral, an irrigation ditch located at the east edge of the valley in front of the arroyo, 553 acres of cultivated farmland are immediately flooded and the irrigation of 1,718 additional acres of cultivated land, located below the point of the break, is interrupted for an indefinite period required to rebuild a portion of the lateral and to remove heavy deposits of sediment from other extensive sections of the lateral. The interruption of irrigation service is extremely serious because it occurs during a critical period in crop growth that coincides with the period in which arroyos ordinarily run heavily in this area. Our heaviest arroyo runs ordinarily occur during the months of July, August, September, and October. Runs that damage the irrigation distribution system in July, August, or early September, result in prolonged interruption of irrigation service at a time when cotton, which is the principal crop in this area, is most sensitive to the lack of moisture. To deprive the crop of water at this critical period results in serious reduction in the quantity, as well as the quality, of the crop. Cotton is particularly sensitive to lack of moisture at this stage of growth. While many farms have irrigation wells, these wells do not have the capacity to immediately offset the sudden loss of irrigation water flowing in the distribution system. Some of the smaller farms do not have irrigation wells. The result, therefore, is substantial crop loss because the crop fails to receive water at a critical time.

Therefore, a total of 2,271 acres are directly and immediately affected by the Tortugas Arroyo through flooding and interruption of irrigation service.

On the attached map, the area subject to immediate flooding is colored in red and the area subject to interruption of irrigation service is colored in yellow.

Aerial photo 2 shows the location of the Las Cruces lateral, with reference to the Tortugas Arroyo.

THE TORTUGAS ARROYO PROBLEM IS NOT THE RESULT OF FAULTY ENGINEERING IN CONNECTION WITH THE CONSTRUCTION OF IRRIGATION PROJECT FACILITIES IN THE ELEPHANT BUTTE IRRIGATION DISTRICT

The Tortugas Arroyo problem is not the result of faulty engineering by the Bureau of Reclamation, or by anyone else, in connection with the construction of the irrigation facilities in the Elephant Butte Irrigation District. Control of the Tortugas Arroyo has always been beyond the financial ability of the Elephant Butte Irrigation District to undertake, and it was not contemplated in the original plans for the irrigation project. The Las Cruces lateral, which irrigates 2,271 acres of land below the point where the Tortugas Arroyo reaches the lateral, was placed in its present location because, from the standpoint of topography, this was the best location for the gravity irrigation of the greatest acreage of adjacent lands; and because it was hoped that the lateral would afford some protection to farmlands located west of the lateral. Protection against smaller floods has been given by the lateral; however, large floods fill and break the lateral and floodwaters proceed to the north, west and south. If the lateral had been carried under the arroyo, farmland to the west would not have received any protection at all and, by this time, a substantial acreage of valuable land would have been completely ruined. Furthermore, Highway 80-85, the main highway through this part of the district for many years, would have been subject to frequent flooding and interruption of traffic if it had not been partially protected by the Las Cruces lateral from smaller floods originating in the Tortugas Arroyo. Thus, it was an attempt to find the best topographical location for the lateral, and to reduce arroyo damage to some extent, rather than an engineering error, that determined the location of the Las Cruces lateral in the Tortugas Arroyo area.

THE EFFECT OF THE TORTUGAS ARROYO UPON AREAS EXPOSED TO OCCASIONAL FLOOD DAMAGE

Lands located west of the A.T. & S.F. Railroad tracks are threatened by heavy floods from the Tortugas Arroyo. Opposite the point where the Tortugas Arroyo enters the east side of the valley, a drainage canal passes through the railroad embankment under a timber railroad bridge. The railroad embankment does not form a solid protective dike against exceptionally heavy flows from the Tortugas Arroyo because it is open at the above point. This permits arroyo water to enter the area west of the railroad embankment. Within the last 25 years, there have been occasions when the drainage canal passing under the railroad has been filled to overflowing by Tortugas Arroyo floods and lands lying west of the railroad have been flooded by the overflow. Floods have also passed over the railroad embankment above the timber bridge and have flooded lands west of the railroad. The last occurrence of this type was in 1958. Floods that have occurred during the past 25 years have not been of the maximum type possible in this area. We are certain, therefore, that when an exceptionally heavy flood occurs in the Tortugas Arroyo, of the type to be expected once every 50 or 100 years, a substantial portion of the water will run westward, cross the railroad at the bridge, and immediately above it, and heavily flood the farming area on the west side of the railroad. Since this has already occurred to an extent that establishes that a definite flood threat to this area exists, there is no doubt that an extremely heavy flood will inflict serious damage to 954 acres of land located immediately west of the A.T. & S.F. Railroad.

This area is colored in orange on the attached map.

Aerial photo 2 shows the location of the area discussed in this section.

Ground photos 1 and 2 show the bridge mentioned above and the results of the flood of August 1958.

THE VALUE OF MESA, OR UPLAND, AREAS ADJACENT TO THE TORTUGAS ARROYO

Mesa, or upland, located east of the irrigated valley, and adjacent to the lower end of the Tortugas Arroyo, has become quite valuable in recent years. About 100 acres of this type of land have been brought into cultivation by means of pump irrigation on both sides of the lower end of the Tortugas Arroyo, with production only slightly less than that obtained on valley flood lands. This area is subject to flooding from heavy flows in the Tortugas Arroyo. Non-cultivated areas in this vicinity are held for residential and commercial uses and sell at substantial prices per acre. New Mexico State University has found land values in this area to be around \$1,000 per acre.

Aerial photo 2 shows the location of cultivated mesa (upland) areas.

ACQUISITION OF RIGHT-OF-WAY FOR TORTUGAS ARROYO WATERSHED PROJECT

All right-of-way has been acquired for the Tortugas Arroyo watershed project. Right-of-way acquisition was started early, and in good faith, for two reasons. First, property values in the project area have been increasing because of actual and potential development; hence it was necessary to secure right-of-way before land prices increased to a prohibitive level. Second, due to the fact that the main dam and reservoir area is located in a subdivided area, it was anticipated that acquisition of the area would require considerable time. It was necessary to acquire an area containing 2,700 individual lots by condemnation. The process of condemnation was time consuming and, by undertaking it promptly, the district was able to acquire the right-of-way before sales and development created a difficult, if not an impossible, situation by increasing property values to unduly high levels.

THE NUMBER OF ACRES OF FARMLAND AFFECTED BY THE TORTUGAS ARROYO AND NUMBER OF OWNERSHIPS

The correct number of acres of highly productive and valuable farmland directly farmland affected by the Tortugas Arroyo is as follows:

Area flooded by floods of less than 50-year frequency—this area was heavily flooded in 1935, 1941, 1957, and 1958 during the past 25 years alone.....	Acres 553
Area subject to heavy flooding by 50- or 100-year floods, and partially flooded by lesser floods.....	954
Cultivated mesa (upland) area subject to flood damage.....	100
Area subject to immediate and prolonged interruption of irrigation service at a critical period in crop growth when the Las Cruces lateral is broken by the Tortugas Arroyo.....	1, 718
Total.....	3, 325

Altogether, there are 74 owners of productive agricultural lands whose property is directly affected by the Tortugas Arroyo.

GROSS CROP VALUES AND THE VALUE OF FARMLAND IN THE ELEPHANT BUTTE IRRIGATION DISTRICT

Average gross crop values per acre in the Elephant Butte Irrigation District for the past 5 years (1955 to 1959) have been as follows:

	Value per acre for all crops
1959.....	\$288. 60
1958.....	291. 36
1957.....	256. 30
1956.....	270. 53
1955.....	227. 36

The above figures are taken from official U.S. Bureau of Reclamation crop records for the Elephant Butte Irrigation District.

The above gross crop values per acre are representative of gross crop values in the area affected by the Tortugas Arroyo by flooding and interruption of irrigation service.

Farmland values in the Elephant Butte Irrigation District, as indicated by recent sales, are shown below. This information was obtained from deed and mortgage records of Dona Ana County, N. Mex., and copies of deeds are attached to substantiate the figures appearing below.

Using 10 different land transactions that have occurred during recent months, involving tracts ranging from 5 to 150 acres in size, the records indicate that prices per acre have ranged from \$800 to \$3,922. Eliminating the latter figure, which involves farmland within the city of Las Cruces that has been converted to other uses, and taking a weighted average of the remaining prices per acre, we find that the average price paid per acre in these transactions is \$1,178. This is a representative current price per acre for farmland with average improvements in the area affected by the Tortugas Arroyo.

TORTUGAS ARROYO WATERSHED PROJECT BENEFITS AND COST PER ACRE
OF THE PROJECT

In view of additional evidence presented in this statement, we believe that a fair and accurate statement of additional benefits, not heretofore considered, that will result from the construction of the Tortugas Arroyo watershed project is as follows:

1. Floodwater damage reduction

Estimated flood damage to 954 acres west of A.T. & S.F. Railroad that would be caused by a 50-year flood:

954 acres at \$150 per acre=\$143,100.

\$143,100÷50 years=\$2,862 per year.

Estimated flood damage to 100 acres of mesa land (upland) that would be caused by a 50-year flood:

100 acres at \$250 per acre=\$25,000.

\$25,000÷50 years=\$500 per year.

Total, \$3,362 per year.

2. Sediment damage reduction

Estimated sediment damage to 954 acres west of A.T. & S.F. Railroad that would be caused by a 50-year flood:

954 acres at \$25 per acre=\$23,850.

\$23,850÷50 years=\$477 per year.

3. Indirect damage reduction

Estimated additional indirect damage reduction will result from the construction of the Tortugas Arroyo watershed protection project as follows:

Protection to NMSU airstrip valued at \$75,000.

\$75,000÷50 years=\$1,500 per year.

Reduction in damage to two new highways (one existing and one under construction by reason of arroyo crossing structure protection to be given by Tortugas Arroyo watershed project:

Two crossing structures at \$25,000 each, but disregarding incidental costs of traffic interruption, \$50,000.

\$50,000÷50 years=\$1,000 per year.

Additional cost to NMSU of acquiring lands for expansion purposes if presently owned lands threatened by Tortugas Arroyo cannot be used because of uncontrolled arroyo:

Additional cost of substitute area, \$337,000.

675 acres at \$500 per acre.

\$337,500÷50 years=\$6,750 per year.

Total, \$9,250 per year.

(In regard to the New Mexico State University land utilization benefit that will result from the construction of the Tortugas Arroyo watershed project, we wish to point out that the New Mexico State University campus is in an area that is highly developed, or which is in the process of becoming highly developed. Land values have increased substantially. There is no cheap land available for expansion purposes. If the State university cannot make full use of the land that it now owns, because of the danger of floods from the Tortugas Arroyo, and must purchase substitute lands, the cost will be high. The estimate of \$500 per acre appearing above is an extremely conservative figure.)

Summary of additional benefits

	<i>Per year</i>
Floodwater damage reduction.....	\$3,362
Sediment damage reduction.....	477
Indirect damage reduction (NMSU property and highway protection).....	9,250
Total.....	13,089

Correction of original average annual primary benefits

Item	Original	Additional	Corrected	Percent of total
Floodwater damage reduction.....	\$9,593	\$3,362	\$12,955	45
Sediment damage reduction.....	3,313	477	3,790	13
Indirect damage reduction.....	2,851	9,250	12,101	42
Total.....	15,757	13,089	28,846	100

We believe that a more equitable allocation of total cost to land protection, and a more realistic average cost per acre of the land protection allocation, is as follows:

Total estimated cost of Tortugas Arroyo watershed project.....	\$342,641
Less non-Federal cost.....	10,500
Federal cost.....	332,141
Allocation of cost to land protection (floodwater and sediment damage reduction benefits), 58 percent of \$332,141.....	192,642

Acres benefited and protected:	<i>Acres</i>
Area flooded by less than 50-year floods.....	553
Area flooded by 50- and 100-year floods.....	954
Mesa (upland) area flooded by 50- and 100-year floods.....	100
Area subject to interruption of irrigation service.....	1,718
Total.....	3,325

Cost per acre, $\$192,642 \div 3,325$ acres = \$58.

UPPER JOSEPHINE-JACKSON, FLA.

Mr. POAGE. We have with us now Mr. Haley, our colleague from Florida, who is here with regard to the Upper Josephine-Jackson Creek watershed in Florida.

We are glad to hear from you now.

STATEMENT OF HON. JAMES A. HALEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. HALEY. Mr. Chairman and members of the committee, I thank you, for your patience here this morning.

I might say that if all subcommittees of the Congress went into matters before them as thoroughly as I have seen this subcommittee go into projects here this morning, we probably would have nothing but sound projects.

I would like to inquire, Mr. Chairman, if the committee has been furnished with the work plan of the Upper Josephine-Jackson Creek watershed?

Mr. POAGE. I think it has—yes, here it is.

Mr. HALEY. I will make a little brief statement and answer later any questions that I can.

I am glad to have this opportunity to appear before you in behalf of of the Upper Josephine-Jackson Creek watershed project which is located in my congressional district.

I sincerely hope you can give your favorable consideration to the work plan for this project, which was prepared by the Highlands Soil Conservation District and the Board of County Commissioners, Highlands County, Fla., as the sponsoring local organizations with the assistance of the Soil Conservation Service, U.S. Department of Agriculture.

The landowners within the watershed are extremely interested in the installation of the project. They have organized a watershed association and have pledged their share of construction costs. Arrangements have been made for the operation and maintenance of the project through the Board of Commissioners of Highlands County. I would like to point out to you that throughout the development of the work plan, the local people have demonstrated their willingness and ability to carry out their responsibilities.

Since the actual work plan of the project has already been submitted to you and you have heard testimony from the Soil Conservation Service in support of the project, I will not go into detail concerning the actual work plan. However, I do want to call your attention to several factors.

The project is located in the citrus and cattle ranching area of South Florida. It includes some 51.1 square miles, or 32,700 acres. The city of Sebring, county seat and largest city in Highlands County, is in this watershed.

The principal watershed problem is floodwater damage to truck crops, commercial flowers, and improved pasture lands. I understand that the planned works of improvement provide the most effective feasible means of alleviating this problem. The benefits to agriculture will be great when the project is completed.

While the primary purpose of the plan and its justification, of course, is for the benefits which will be derived by agriculture, there are nonagricultural interests which will also benefit from the planned improvements. These include some incidental interests which were not evaluated in the work plan. In addition to providing flood protection so badly needed for homes, roads, and bridges in the area, there will be recreational benefits.

During the past fall, the people of Highlands County experienced another critical period of flooding. In addition to the hundreds of acres of pastures and crops flooded, there were many roads, bridges, and homes in the Josephine Creek area which were under water for weeks. The seriousness of this damage is shown in two photographs which I have enclosed with this statement and which I will now present to you.

Such flood damage as occurred last September to both agricultural and nonagricultural interests affects the entire economy of Highlands County and is of great concern to all residents of that county.

I will appreciate every consideration that can be given to the approval of the work plan for the Upper Josephine-Jackson Creek watershed project. I believe the work plan is sound and that the

benefits to be derived from the project more than justify the funds which would be expended.

In closing, I would like to submit to you a letter from Mr. Charles V. Maxcy, temporary chairman, Upper Josephine-Jackson Creek watershed. Mr. Maxcy had hoped to appear with me today before you, but due to circumstances beyond his control, he was unable to come to Washington at this time.

Thank you, Mr. Chairman and members of the subcommittee.

Mr. POAGE. Without objection, that letter will be inserted into the record at this point.

We are very much obliged to you.

(The letter dated Feb. 7, 1961, follows:)

SEBRING, FLA., February 7 1961.

CONSERVATION AND CREDIT SUBCOMMITTEE,
Washington, D.C.

GENTLEMEN: With regards to the Upper Josephine-Jackson Creek watershed project, we would like to assure you that local interest is higher and more favorable toward the completion of this project than ever before. The September flooding that occurred on thousands of acres within the watershed area as well as the numerous roads and other nonagricultural interest has been a recent reminder to us of the needs for early construction on this project.

It is impossible for a representative of our committee to be present to personally express our very deep concern during your consideration of our work plan; however, on behalf of the local interest we respectfully request your early approval of the plan.

Very truly yours,

CHARLES V. MAXCY,

Temporary Chairman, Upper Josephine-Jackson Creek Watershed.

Mr. POAGE. How many acres are in this?

Mr. HALEY. I think it is 32,700.

Mr. POAGE. That is in the watershed; that is the total watershed area. How many acres are going to be protected there? Here is the watershed, the whole thing, here is the protected land, is it not? How much is in the protected land? Can you tell?

Mr. BROWN. The amount of protected land is 3,270 acres, which is the area shown in color on this map.

Mr. POAGE. Yes, and the cost is \$700,000, is it not—\$700,750; is that right?

Mr. BROWN. No, sir. Our figures show that if you take the agricultural benefits alone which were evaluated at being 91 percent of the total benefit and divide the Federal cost into the 3,270 acres, that the per-acre cost is approximately \$234 per acre.

Mr. POAGE. That in itself would seem high. What I want to know is what is the cost of the project, because figures that we have here show that the Federal cost is some \$700,750.

Mr. BROWN. The total cost of the project will be \$965,000, of which the local share is \$261,000, or 27 percent, and the Federal share is \$703,000, or 73 percent.

Mr. POAGE. Thank you.

Mr. BROWN. This was published in the testimony on pages 80 and 81, Mr. Chairman; part 2 of your hearings last year.

Mr. POAGE. It is substantially the same thing as we have here. I mean, that comes to substantially the same figure. We are only 3,000 off—we are 700 and you are 703.

Mr. BROWN. The figure that I quoted to you is based on a percentage allocation of the total project cost, not the Federal cost.

Let me say this: The figure that I have is \$764,000 allocated to agricultural benefits, and if you divide that figure by 3,270 acres, you come out with \$234 per acre, but this is higher than the total Federal cost. So it is obviously an allocation on the total Federal and non-Federal cost.

I think if you take it on the basis of the allocated percentage of the Federal cost that is applicable to the agricultural benefits and exclude the suburban benefits that Mr. Haley referred to, and other evaluated benefits which I think unquestionably exist in here, such as recreation and so forth.

Mr. JOHNSON of Wisconsin. He said 91 percent on the agriculture.

Mr. BROWN. I said of the benefits which we evaluated in making up the work plan which were not all of the benefits—did not include the recreation benefits, specifically.

Mr. JOHNSON of Wisconsin. You said 91 percent of 234, that if you took that, that would bring it down pretty close to \$200.

Mr. BROWN. If you take that—

Mr. POAGE. I do not know how you can take that 91 percent. We have given credit in every one of these cases for urban benefits.

We tried to do it with Governor Tuck. We did it in a great many cases. We have approved a great many of these because of their urban benefits.

The West Virginia case was a clear example of that. It would not have a leg to stand on without the urban benefits. I think we should include them.

Mr. HALEY. I think out of this acreage here—

Mr. JOHNSON of Wisconsin. Is it very extensive?

Mr. HALEY. I think out of this acreage here—let me find that—I think it is, yes—

Mr. JOHNSON of Wisconsin. I mean the citrus industry; is it very extensive in this?

Mr. HALEY. Citrus is 5,610 acres within the project.

Mr. POAGE. That is within the project; that is not within the affected area, though.

Mr. HALEY. Do you have the figure on that?

Mr. BROWN. Yes, sir, I think we do. We testified, Mr. Chairman, that in the colored area on this map, which is the benefited area, it is estimated that 7 percent of the acreage will be used for winter vegetables after the improvements are put in, and that the pasture area will increase from 76 percent at present to 91 percent, and the idle land will decrease from 22 percent to zero; in other words, this would contemplate full utilization for winter vegetable crops and for pasture.

Mr. STUBBLEFIELD. What is that land valued at?

Mr. HALEY. Good citrus land will sell anywhere from \$3,000 to \$5,000 an acre.

Mr. STUBBLEFIELD. And the other land?

Mr. HALEY. That has a wide range on it. It is very rich land, with the possibility of the production of a couple crops a year or more. I do not know the value of it. The value of top land in areas around there runs anywhere from \$1,000 on up.

Mr. BROWN. We do have a statement, Mr. Chairman—at least we have this information from our people down there concerning the

nature of the secondary and intangible benefits that were not evaluated in this project.

These consist of:

(1) the specialty crops affording employment to a large number of laborers and the loss of an acre of specialty crops means the loss of livelihood of several laboring families.

(2) the reduction of flooding of septic tanks will generally improve health conditions. And it will help to control mosquito breeding areas, which is another related benefit.

(3) several homes on unpaved roads are frequently isolated by flooding conditions. And there are at least 20 homes in this category.

(4) improved conditions resulting from the project will stimulate the business activities of merchants selling to the farmers and the ranchers, as well as the laboring force.

Those are secondary benefits.

Mr. POAGE. That is applicable to any project that we have approved. I hope it is applicable to everyone we have approved.

Mr. BROWN. That is right. They are not evaluated under the policy of the Department, but they accrue almost universally.

(5) the project will enable the farmers to operate on a more stable basis because of the reduction in extreme variations in annual income.

That applies to these specialty crops, I am sure.

May I correct my previous statement? I have done a little arithmetic here. The \$703,000 is the Federal cost, as we stated. And if the agricultural benefits as evaluated are 91 percent of the total benefits, that is, benefits that accrue to the land itself in here, that would represent a cost applicable to producing the agricultural benefits of \$640,000, and if you divide \$640,000 of Federal cost by 3,270 acres, it comes out to \$196 per acre.

Mr. POAGE. You are talking about something we have not been using. Maybe we should be using that and talking about agricultural costs, the part allocated to agriculture.

What do you allocate the rest of it to?

Mr. BROWN. For the benefits of flooding homes and the like.

Mr. POAGE. Are we to take those into consideration or are we not?

Mr. BROWN. On the basis of a per acre cost, I deducted those.

Mr. POAGE. They ought to add to the feasibility of the project.

Mr. BROWN. They do. I am just applying the cost figure on the appraisal basis to the land. You could not very well apply the total cost to the homes, which are not acreage.

Mr. POAGE. That is what we have done.

Mr. BROWN. You ought to apply only a part of the cost.

Mr. POAGE. We have done that right along. We have been saying how much it cost us per acre to do this sort of thing.

Mr. BROWN. Mr. Chairman, the figures we have been presenting to you heretofore have been based on deducting the costs that are applicable to protecting the roads, homes, and other kinds of value which are not land values; in other words, all I am saying is that the \$640,000 of the cost would be applicable to protecting the land values on these 3,270 acres. The rest of the cost would not be allocable to the land.

So, on that basis, it would be \$196, rather than the \$234 that I quoted before.

Mr. JOHNSON of Wisconsin. There is a lot of that land that is residential, is there—is it in a resort area or close to a resort area?

Mr. HALEY. I might say that all Florida is a resort area, to the gentleman from Wisconsin.

Mr. JOHNSON of Wisconsin. I was trying to find an excuse for you. I thought that if there was a big city, a resort city there, where people went for the winter, it would help.

Mr. HALEY. Yes; a lot of people are down there for the winter, fishing and hunting.

Mr. POAGE. We are very much obliged to you, Mr. Haley, and to you, Mr. Brown.

Mr. BROWN. Thank you very much, Mr. Chairman.

Mr. POAGE. We will recess this hearing today until tomorrow morning, when we have three more of the same type of project up before us.

(Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, February 16, 1961.)

WATERSHED PROJECTS

THURSDAY, FEBRUARY 16, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

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

Present: Representatives Poage, Johnson of Wisconsin, Breeding, Stubblefield, McIntire, and Short.

Also present: Hyde H. Murray, assistant clerk.

Mr. POAGE (presiding). The subcommittee will please come to order.

CANEY CREEK, KY.

This morning we are continuing the consideration of the watershed projects. Congressman Natcher is here to be heard further in regard to Caney Creek, Ky. Do you have anyone with you?

Mr. NATCHER. Mr. Chairman, I presume that some of the gentlemen here from the Department of Agriculture will probably be testifying in addition to the presentation of my statement.

Mr. POAGE. Yes, sir. We will hear from you now, and if there is anything that they want to add, that will be done.

STATEMENT OF HON. WILLIAM H. NATCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. NATCHER. Mr. Chairman and members of the committee, for the record my name is William H. Natcher, Representative of the Second Congressional District of Kentucky. I appreciate this opportunity to discuss with you the Caney Creek watershed project.

This watershed covers an area of 97,310 acres with the area lying in three Kentucky counties. These counties are Grayson, Butler, and Ohio—69,100 acres of the watershed is located in Grayson County; 2,606 in Butler, and 25,604 are in Ohio County. Approximately 35 percent is cropland; 24 percent is grassland; 26 percent woodland, and 15 percent includes towns, roads, and idle land. There are no Federal lands or irrigation developments included in this watershed.

The principal watershed problem is damage by floodwater. The work plan proposed is a project with a 5-year installation period for the development and protection of the watershed.

Since my last appearance before this subcommittee, Mr. Chairman, I have received the attached letter from Mr. H. E. Hecker, State conservationist, Soil Conservation Service of the Department of Agricul-

ture, and also the attached copy of the letter to the Soil Conservation Service in Lexington, Ky., from the Department of Highways of the Commonwealth of Kentucky, which point out additional benefit-cost figures which should be considered by this subcommittee in passing upon the Caney Creek watershed.

Mr. Chairman, I want you and the members of the committee to know that I appreciate this opportunity to appear at this time, and I sincerely request approval of the Caney Creek watershed work plan.

I would like to read to you the first letter, the one from Mr. Hecker, which incorporates the letter which is attached, also, from the department of highways. His letter states:

U.S. DEPARTMENT OF AGRICULTURE,
SOIL CONSERVATION SERVICE,
Lexington, Ky., February 14, 1961.

HON. WILLIAM H. NATCHER,
House of Representatives, Washington, D.C.

DEAR MR. NATCHER: This is in response to a telephone request today from Mr. Kenneth Goff, chairman, Caney Creek Watershed Conservancy District, pertaining to recent developments that might affect the Caney Creek watershed work plan.

The work plan was approved by the Senate Agriculture Committee June 15, 1960, and is presently being considered by the House Agriculture Committee. There was an objection raised in the latter committee because of the high cost per acre of providing flood protection.

Recent developments may at least, in part, overcome those objections. They are as follows:

(1) The Kentucky Highway Department is preparing detail plans for a toll road that will pass through the watershed. If the watershed project is installed as planned, there will be an estimated monetary saving in the amount of \$150,000 to the toll road because of the following:

(a) Reduced discharges from structure 5 on Alder Creek would permit a smaller culvert for road crossing. Without the structure the highway department plans to install a double 16- by 12- by 250-foot reinforced concrete culvert.

(b) Without structure 9 on Dog Creek, the culvert would be a 24- by 16- by 339-foot reinforced concrete arch.

(c) Structure 13 on Caney Fork Creek would likewise reduce the size of the planned reinforced concrete culvert.

(2) It will be necessary to change the hazard class of three floodwater retarding structures (Nos. 5, 9, and 13) located above the toll road from class "a" to "b." This will be an increased cost of approximately \$70,000 for the three structures as a result of the change. The capitalized net benefits accruing to the highway as a result of the project will be \$150,000 to \$70,000 or \$80,000.

(3) Mr. Goff likewise advised that the city of Caneyville agreed last evening to pay the additional cost of incorporating the necessary basic design features into floodwater retarding structure 2 whereby the dam could be raised at some future time to provide for the storage of municipal water.

(4) Landowners concerned with FRS 9 will likewise pay the added cost of incorporating the necessary basic design features into this structure whereby the dam could be raised at some future time to provide for the storage of municipal water.

We have reviewed all of the above proposals and find them to be practicable and feasible. Furthermore, this is the kind of multiple use and resource development that the Soil Conservation Service is striving for.

The above changes and additions could be made during the final survey and design stages. This would be in keeping with the expressed desires of the local sponsoring organizations and the Kentucky Highway Department.

The importance of an early approval of the watershed work plan if the highway benefits are to be realized, is pointed out in the second paragraph of a letter from the highway department regarding this matter. A copy of that letter is attached for your information.

We certainly appreciate your continued interest and support in the small watershed program. Please let us know if we can be of further assistance to you in this matter.

Yours very truly,

H. E. HECKER, *State Conservationist.*

And attached to that you will find, Mr. Chairman, a letter from the Department of Highways of the Commonwealth of Kentucky, bearing out the statements contained in the State conservationist's letter, Mr. Hecker's letter. I should like that letter to be made a part of the record.

Mr. POAGE. Without objection, that will be done.
(The letter dated February 3, 1961, follows:)

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF HIGHWAYS,
Frankfort, February 3, 1961.

Mr. A. B. ROGERS,
*Soil Conservation Service,
Lexington, Ky.*

DEAR MR. ROGERS: This is to confirm the understanding between the Kentucky Highway Department and the Caney Creek Watershed Conservancy District in the work plan for the Caney Creek watershed program and the construction of the western Kentucky toll road.

If the watershed program can be approved as outlined in your work plan dated February 1960, before completion of the engineering plans for the western Kentucky toll road, a substantial saving can be made by the highway department. The actual construction of the flood control structures, however, must be conducted at the same time or prior to the highway construction to permit the changes in design of the highway structures.

A saving to the highway department will be made by replacing a double 16- by 12- by 250-foot reinforced concrete culvert at Alder Creek and a 24- by 16- by 339-foot reinforced concrete arch culvert at Dog Creek with smaller culverts, and reducing the size of the reinforced concrete culvert at Caney Fork Creek. The savings to the highway department by making the above changes are estimated at \$150,000.

If you have any further questions regarding this matter, please let us know.

Very truly yours,

GEORGE S. LYON,
Engineer of Special Assignment.

Mr. POAGE. You may proceed.

Mr. NATCHER. Mr. Chairman, I want to thank you again for this opportunity to appear in behalf of the Caney Creek watershed. I sincerely hope that this additional information will be sufficient to justify an approval of this particular watershed.

Mr. POAGE. Thank you very much, Mr. Natcher. We appreciate your coming over and getting this information.

Was there any statement that you wanted to make in connection with this, for the Department, Mr. Brown?

Mr. NATCHER. Do any of the members of the Department have a statement to make at this time? I do not believe they have one at this time, Mr. Chairman.

Again, I thank you very much.

Mr. POAGE. Thank you.

Mr. MCINTIRE. I am sorry that I was a few minutes late, but I would like to ask my colleague, Mr. Natcher, a question. As to most of these items in this toll-road part, they are in addition to the presentation that we had in the last session?

Mr. NATCHER. That is correct.

Mr. McINTIRE. May I join with the chairman of this subcommittee in expressing our thanks? We have been giving these matters very careful consideration, because we feel that this is a part of our responsibility in these areas, and additional information of this nature is extremely helpful and is received very gratefully.

Mr. NATCHER. Thank you.

Mr. POAGE. We will go off the record.

(Discussion off the record.)

Mr. POAGE. I want this on the record. Does the Department vouch for all of these statements in this statement—that is, the contents of this statement?

STATEMENT OF JOHN H. WETZEL, DIRECTOR, WATERSHED PLANNING DIVISION; ACCOMPANIED BY HOLLIS R. WILLIAMS, ASSISTANT ADMINISTRATOR FOR WATERSHEDS; CHARLES SWIGART, ASSISTANT DIRECTOR, WATERSHED PLANNING DIVISION; AND CARL B. BROWN, ASSISTANT TO THE ASSISTANT ADMINISTRATOR, SOIL CONSERVATION SERVICE, DEPARTMENT OF AGRICULTURE

Mr. WETZEL. Yes, sir.

Mr. JOHNSON of Wisconsin. I think that it should be made a part of the record.

Mr. POAGE. Yes.

Yesterday we could not get any identification of these memorandums and nobody would say that they vouched for them. They are not worth anything to be merely here if there is nobody with their name attached to the statement.

Mr. JOHNSON of Wisconsin. I ask that this statement be put into the record after the statement by the Department.

Mr. POAGE. Yes, it will be included in the record at this point.

(The document referred to entitled, "Supplementary Information, Caney Creek Watershed Work Plan," follows:)

**SUPPLEMENTARY INFORMATION, CANEY CREEK WATERSHED
WORK PLAN, KENTUCKY**

1. About 125 farms in the watershed have a combination of flood-plain land and upland. The total acreage in these farms is 20,750 acres, of which flood-plain land is about 6,605 acres, or 32 percent. Agricultural benefits resulting from the flood prevention structural measures will be reflected in the entire acreage of these farms because flood-plain land is not bought and sold or used and managed separately from upland in this watershed. The alleviation of the flood hazard will enable farmers to adjust the use and management of complete farm units so that the value of the entire farm will be increased.

2. The flood prevention cost assignable to agricultural benefits if spread to the total acreage of the 125 farms amounts to \$92 per acre. However, only part of this cost is properly chargeable to land. The larger share of the benefits accrue to management, labor, and capital applied to the land. On the basis of the one-third and two-third crop-share rental prevalent in this area, the cost properly assignable to land is only about \$31 per acre.

3. The present average sale price of farms consisting of both flood plain and upland is about \$82 per acre. Flood-plain land is valued at \$55 per acre and upland at \$95 per acre.

4. With the project improvements, it is estimated that the average sale price of farms consisting of both flood plain and upland will increase to about \$223 per acre. The increase of \$141 per acre compares with the \$31 cost properly assignable to land, a ratio of more than 4 to 1. Flood-plain land would be valued

at an estimated \$400 per acre and upland, at an estimated \$140 per acre with the project.

5. The present average sale price of farms consisting entirely of upland is about \$95 per acre. With the project, this value would increase to an estimated \$135 per acre.

6. The sediment load of Caney Creek will be reduced by 26,000 tons per year. This will reduce silt pollution of the Rough River and Ohio River thereby benefiting navigation, fish and wildlife, and other values.

7. By reducing floods, the project will alleviate traffic interruptions on the Illinois Central Railroad and U.S. Highway No. 62, both of which traverse the watershed.

8. The project will reduce health hazards caused by mosquitoes by eliminating ponding of stagnant water in the lower reaches of the Caney Creek flood plain.

9. Fish and wildlife benefits will accrue in the sediment pools of the flood-water retarding structures. It is common practice for the Kentucky Department of Fish and Wildlife Resources to stock these pools with fish.

Mr. POAGE. Let us go off the record again.

(Discussion off the record.)

Mr. POAGE. On the record. What is the Department's present estimate of the cost of this project for each acre that has been benefited, that is, each acre that is protected?

Mr. WETZEL. It is \$273 per acre.

Mr. POAGE. \$273?

Mr. WETZEL. That is right. There are, in addition, very substantial benefits from highway protection and water-supply features.

Mr. POAGE. I understand that. What Mr. Natcher brought us was new information, but your estimate is still \$273?

Mr. WETZEL. Yes.

Mr. POAGE. We will proceed next with Mr. Siler.

Mr. STUBBLEFIELD. Mr. Hemphill said that he would like to appear here this morning, but that he could not be here at 11 o'clock. He wondered if it would be agreeable with you, Judge, if we put him on ahead of you?

Mr. SILER. Yes.

Mr. POAGE. Mr. Hemphill is here?

Mr. STUBBLEFIELD. Yes, sir.

Mr. POAGE. If it is agreeable with you, Mr. Siler, we will hear Mr. Hemphill first, and then take you next.

Mr. SILER. Thank you.

FISHING CREEK, S.C.

Mr. POAGE. Mr. Hemphill, we will hear you now on Fishing Creek, S.C.

STATEMENT OF HON. ROBERT W. HEMPHILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. HEMPHILL. Mr. Chairman, and members of the subcommittee: I want to thank you for allowing me to appear this morning and for scheduling me promptly. I hope you will pass on to the excellent staff of the House Agriculture Committee my gratitude for their help.

On June 8, 1960, I was privileged to present to this subcommittee, a statement urging that the project known as the Fishing Creek watershed project, in York County, S.C., in my district, be endorsed

and approved by this subcommittee. I had high hopes at the time we could proceed with our plans for this very necessary and beneficial project which is so vital to so many people in York County, in so many ways.

I will not repeat my statement of last year in which I gave due praise to the supervisors of Catawba Soil Conservation District, and commented on other matters. I am sure you have before you a copy of those hearings and my statement appears on page 169.

In addition to the information which was furnished you by the technicians of the Department of Agriculture, let me tell you that the local people are very anxious for this project to be approved, and need this project. Through their organized efforts, and through their faith, they have accomplished the following:

(1) The York County legislative delegation introduced a bill in the South Carolina General Assembly designed to speed up the watershed work in Fishing Creek and to provide means through which the local people could meet their watershed obligations. This bill became law in 1958. It provides for local farmers to set up a formal watershed conservation district with taxing powers and condemnation rights. Hearings and a referendum were held on the question of the creation of the Fishing Creek Watershed Conservation District. The vote was 89 to 1 in favor of the proposal. Directors of this district are: Henderson Border, chairman; Woodrow C. Boyd, George D. Herndon, W. L. Thomason, and Charles Cameron. They are now busily engaged in obtaining the needed easements and rights-of-way for the works of improvement contained in the watershed work plan.

(2) Because of the widespread interest in the watershed undertaking, the Soil Conservation District supervisors, namely; R. S. Flanagan, Bowling Green, chairman; E. P. Glasscock, Catawba; W. B. Wilkerson, Jr., Hickory Grove; L. H. Hicks, York; and J. P. Rogers, Rock Hill; and the watershed directors made a joint request to the South Carolina Water Pollution Control Authority for a hearing relative to reclassifying that portion of Fishing Creek embraced in the proposed project. Fishing Creek is at present polluted with untreated sewage and industrial waste. Based on the hearings, the stream has been reclassified as class A. This will require treatment of sewage and waste to make the stream suitable for swimming and other water sports. Fish and wildlife will also benefit.

The county seat, town of York, population about 4,500, under the leadership of Mayor W. M. Brice, Jr., and his counsel, now has plans well underway for the construction of a complete sewage-disposal plant at a considerable cost to the local people.

However, they feel that this expense is justified in order to clean up the water of Fishing Creek whereby it can be used and enjoyed. This helps to maximize benefits from the Fishing Creek watershed protection and flood prevention project.

Mr. POAGE. Would this sewage-disposal plant be feasible without this project?

Mr. HEMPHILL. I do not know, sir, but I think that the sewage-disposal plant is a result of this project.

Mr. POAGE. Yes, I understand that, but will this project protect it from floods? We had such a case.

Mr. HEMPHILL. I am sure that it will, sir, because there has been a coordination of effort between the town and the conservation district supervisors and, also, the watershed directors.

Mr. POAGE. I see.

Mr. JOHNSON of Wisconsin. Is it built in an area that is flooded at the present time?

Mr. HEMPHILL. The area that would be flooded at the times—it would be flooded at times, because it necessarily would have to be done on the bottomland, near the creek. That is my present information from the mayor of York who is my personal friend.

Mr. POAGE. You may proceed.

Mr. HEMPHILL. (3) The town of York depends mainly on water stored in reservoirs. During the summer of 1954 this town was without water except for farm ponds. Farmers drained eight farm ponds and pumped water through irrigation pipe into the city reservoir, or in some cases permitted it to flow by gravity.

Mayor David E. Currence of York said at that time, "Thank God for our farmers and their ponds."

While the watershed work plan does not provide for storing water specifically for municipal use, the water impounded in the permanent or sediment pools could well constitute an emergency supply in case of another drought and shortage similar to the one experienced in 1954.

The largest of the four dams planned for this project will be located within 2 miles of the town of York. The surface area of the permanent or sediment pool will be 63.6 acres and will contain 246 acre-feet of water storage initially.

(4) This project, when completed, will provide additional benefits to the community which cannot be measured in dollars and cents. Some of these are: (1) It provides an opportunity for farmers and town people to work together in solving their mutual problems. By working together they usually accomplish more and understand each other better. (2) Makes more efficient use of natural resources, including soil, water, forests, and wildlife, thus bringing about a higher standard of living. (3) Public facilities such as roads, bridges, and utilities will be given additional protection from damage by flooding and sedimentation. (4) The completed project will provide additional happiness and improve the health and general well-being of the people throughout the watershed and surrounding areas. It is conservatively estimated that more than 40,000 people in and around York, Rock Hill, and other industrial areas will benefit through improved recreational facilities and a strengthening of the agricultural economy.

The multipurpose for the project, which I have attempted to emphasize here, is to show that while the cost-benefit margin is very close, with the ratio estimated last year at 1.2 to 1, there are many benefits which are not included in the formula used, but which I am sure the experienced men on this committee readily recognize.

Mr. POAGE. Is that the same this year?

Mr. BROWN. Yes, sir.

Mr. HEMPHILL. I was delighted last year when the chairman of this committee made the very salient observation that neither the cost per acre should be the entire determining factor, nor the cost-benefit

ratio allowance. I hope, that upon examining this matter again this year, your subcommittee can see fit to authorize this project which is so anxiously awaited by so many people in my district.

I would like, Mr. Chairman, with your permission, sir, to file—I do not want to clutter up the record with it, unless you think it should be included—a letter which I have here from the attorney who was the attorney for the project, written at the request of the local State senate. And I, also, have here the act of the State legislature of my native State which created the watershed project which I will file with the record, unless the members would like to have it handled otherwise.

Mr. POAGE. It may be included.

Mr. HEMPHILL. Thank you, sir.

(The letter dated Feb. 14, 1961, from James L. Moss, Jr., and the act referred to, follow:)

YORK, S.C., February 14, 1961.

Re Fishing Creek Watershed Conservation District in York County.

Hon. ROBERT W. HEMPHILL,
Member of Congress,
House Office Building, Washington, D.C.

DEAR BOB: The General Assembly of South Carolina created the subject watershed by an act approved April 24, 1958. A copy of this act is herewith enclosed for your information and may be retained in your file in the event that I am able to obtain another copy. I also enclose a clipping from the local newspaper which gives you some general information.

I am interested both personally and as attorney. The York County legislative delegation appropriated a small amount of money for expenses and costs for preliminary work. There are more than 40 property owners involved and I have made a limited title check and drawn easements on practically all of the real estate in the area. Approximately one-half of these easements have been executed and quite a few will have to be signed by fiduciaries or under order of the court. It is my understanding that the Department of Agriculture earmarked about \$250,000 to construct the necessary dams and clean the two large streams flowing through the area. It was my understanding that an act of Congress was not necessary where the proposed cost did not exceed \$250,000. Due to all of these difficulties, none of the appropriation was disbursed during the last fiscal year and the project is now at a standstill. It is almost a unanimous agreement of the property owners that this watershed should be completed and I have been directed to request your aid in reinstating this project and earmark again the necessary funds.

The York County Legislative Delegation, and particularly Senator Robert W. Hayes, has discussed this matter with me and stands ready and willing to assist in any way possible. It is my understanding that a subcommittee concerning this project and others will convene Thursday next and we will sincerely appreciate it if you will appear in our behalf. In the event the reinstatement is not consummated or there is a lack of information, we will furnish you with further facts, even to appearing before the committee for a further explanation, if necessary, at some date convenient to all parties concerned.

This project is a very necessary and vital program to the reclamation of former good bottomlands, as well as to control flooding and to store water for future use. When completed, it should affect, directly or indirectly, the greater part of western York County, and it will eventually be extended to the southeastern portion of York County.

At the present time the town of York is dumping raw sewage into both streams but we are now in the process of building a treatment plant into which all raw sewage will be dumped. Both programs will be carried on simultaneously and should be completed within the next year or less. Please keep us advised of the progress in this matter and do not hesitate to call upon any one of us for any further assistance.

Thanking you for your interest in the matter and with sincere regards, I am,
Yours very truly,

JAMES L. MOSS, JR.

AN ACT To Provide for the Creation of Fishing Creek Watershed Conservation District in York County; to Provide for its Governing Board and its Powers and Duties; and to Provide for Levy of Taxes Sufficient for the Administration, Construction, Operation, and Maintenance of Works of Improvement Within the District

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. As used in this act, "due notice" shall mean notice published at least twice with an interval of at least one week between the two publication dates, in a publication of general circulation within the appropriate area or, if no such publication of general circulation be available, notice posted at a reasonable number of conspicuous places in the appropriate area. This posting shall be posted at public places where it is customary to post notices concerning county or municipal affairs generally.

SECTION 2. Authority is hereby granted to form the Fishing Creek Watershed Conservation District in York County for the purpose of developing and executing plans and programs relating to any phase of conservation of water, water usage, flood prevention, flood control, erosion prevention and control of erosion, floodwater, and sediment damages.

SECTION 3. The area embraced in the district must be contiguous and lie within the watershed of Fishing Creek and shall embrace only land lying in York County. The area shall not include any lands within the corporate limits of any municipality, lands not included within a soil conservation district or lands embraced within another water conservation district.

SECTION 4. When twenty-five or more freeholders within a proposed watershed conservation district desire to form a watershed conservation district, they shall file a petition with the board of supervisors of the soil conservation district. Such petition shall define the boundaries of the proposed district, the number of acres of land involved, reasons for requesting creation of such district and other information pertinent to such proposal.

SECTION 5. (a) Within thirty days after such petition has been filed with the board of supervisors, it shall cause due notice to be given of a hearing upon the practicability and feasibility of creating such watershed conservation district. All interested parties shall have the right to attend such hearing and be heard. If it shall appear at the hearing that other lands should be included or that lands included in the petition should be excluded, the board of supervisors may permit such inclusion or exclusion, provided the land area involved still meets the requirements of Section 3 of this act.

(b) If it appears upon the hearing that it may be desirable to include within the proposed district, territory outside of the area within which due notice of the hearing has been given, the hearing shall be adjourned and due notice of a further hearing shall be given throughout the entire area considered for inclusion in the district and a further hearing shall be held. After final hearing, if the board of supervisors determines, upon the facts presented at the hearing and upon other available information, that there is need, in the interest of the public health, safety and welfare for such a district in the territory considered, it shall make and record the determination and shall define, by metes and bounds or by legal subdivisions, the boundaries of the district.

(c) If the board determines after the hearing that it is not feasible for such district to function in the territory considered, it shall make and record the determination and shall deny the petition.

SECTION 6. After the board of supervisors has determined that there is need, in the interest of the public health, safety, and welfare, for creation of the proposed watershed conservation district, it shall consider the question whether the operation of a district within the proposed boundaries with the power conferred upon such district in Section 10 of this act is administratively practicable and feasible. To assist the board of supervisors in this determination the board shall, within a reasonable time after entry of the finding that there is need for the organization of the district and the determination of the boundaries of the district, hold a referendum within the proposed district upon the proposition of the creation of the district. Due notice of the referendum shall be given. Such notice shall state the date of holding the referendum, the hours of opening and closing the polls, and shall designate one or more places within the proposed district as polling places. The board shall have full charge of the election and shall have suitable ballots printed and furnished to each voting place; appoint necessary box managers and other election officials; and shall canvass the election and announce the results. Cost of holding the referendum shall be paid from the general fund of the county concerned.

SECTION 7. The question to be voted on shall be submitted by ballots upon which appear the words:

"For the creation of Fishing Creek Watershed Conservation District

"Against the creation of Wishing Creek Watershed Conservation District"

A square shall follow each proposition. The ballot shall also contain a direction to insert an "X" mark in the square following one or the other of the propositions, as the voter may favor or oppose creation of the district. The ballot shall set forth the boundaries of the proposed district as determined by the board of supervisors. Only owners of lands lying within the boundaries of the territory, as determined by such board, shall be eligible to vote in the referendum. Qualified voters may vote by absentee ballot in such referendum under rules and regulations prescribed by the board of supervisors.

SECTION 8. The votes shall be counted by the election officers at the close of the polls and a report of the results along with the ballots shall be delivered and certified to the board of supervisors. If a majority of the votes cast favor creation of the district, the board of supervisors shall certify such results to the Clerk of Court of York County. Upon proper recording of such action, such watershed conservation district shall be duly created. After recording the certification shall be filed with the State Soil Conservation Committee.

SECTION 9. (a) Within 30 days after the district is created, the board of supervisors shall cause an election to be held therein, for the election of a board of directors consisting of five members, who shall hold office for a term of four years. The board of directors shall, under the supervision of the board of supervisors, be the governing body of the watershed conservation district.

(b) The board of directors shall annually elect from its membership a chairman, secretary and treasurer. The treasurer shall execute an official bond for the faithful performance of the duties of his office to be approved by the board of directors. Such bond shall be by a surety company authorized to do business in this State, and shall be in an amount determined by the board of directors. The premium on the bond shall be paid by the board of directors.

(c) Each person desiring to be a director of a watershed conservation district shall file a nominating petition with the board of supervisors, signed by twenty-five or more freeholders within the watershed conservation district. If the candidates nominated do not exceed the positions available they shall be declared elected. No person shall be eligible to be a director of a watershed conservation district who is not a freeholder in the district in which he seeks election.

SECTION 10. Subject to the approval of the board of supervisors, the board of directors of a watershed conservation district shall have full authority to:

(a) acquire, by purchase, gift, grant, bequest, devise, or through condemnation proceedings in the manner provided in Chapter 2 of Title 25, Code of Laws of South Carolina, 1952, such lands or rights-of-way as are necessary for the exercise of any authorized function of the district;

(b) construct, improve, operate and maintain such structures as may be necessary for the performance of any function authorized by this act;

(c) borrow such money as is necessary for the purpose of acquiring rights-of-way and establishing, constructing, reconstructing, repairing, enlarging, and maintaining such structures and improvements as are required by the district in the performance of its functions, and issue, negotiate, and sell its bonds as provided in Section 11 of this act;

(d) levy an annual tax on the real property within the district within the limitations provided in Section 13 for administration, construction, operating, and maintenance of works of improvement within the district. Such levy shall be made only after approval by the board of supervisors, by notifying the county auditor.

SECTION 11. (a) Bonds authorized by Section 10 of this act shall not be issued until proposed by order or resolution of the board of directors, specifying the purpose for which the funds are to be used and the proposed undertaking, the amount of bonds to be issued, the rate of interest they are to bear, and the amount of any necessary tax levy in excess of the maximum authorized in Section 13 of this act. Copy of the order or resolution shall be certified to the board of supervisors.

(b) The board of supervisors shall conduct a hearing on such proposal after due notice. If it appears that the proposal is within the scope and purpose of this act and meets all other requirements of the law, the proposal shall be submitted to the freeholders of the district by referendum under supervision of the board of supervisors.

(c) Provisions of Sections 6, 7, and 8 of this act as to notice, qualifications of voters, absentee voting, and manner of holding referendum election in organizing a watershed conservation district shall apply to the referendum held under this section.

(d) If two-thirds of the landowners voting favor the proposal, such bonds may be issued.

SECTION 12. Members of the board of directors shall receive no salaries, but such members may be reimbursed for actual and necessary expenditures incurred in the performance of their duties as approved by the board of supervisors.

SECTION 13. Within the first quarter of each calendar year, the board of directors shall prepare an itemized budget of the funds needed for administration, construction, operation and maintenance of works of improvement. After approval of such budget by the board of supervisors, the county auditor shall levy a tax sufficient to meet such budget, not to exceed five mills, on all real property within the district, except any levy necessary to provide a sinking fund for retirement of bonds authorized by Section 11 of this act. A copy of such budget shall be certified to the county auditor.

SECTION 14. (a) The board of directors with the assistance of the county auditor shall prepare a list of the freeholders in the district showing the number of acres subject to assessment.

(b) When the property tax rolls are delivered to the county treasurer by the county auditor, as required by law, the county treasurer shall compute the tax due the district from each freeholder in accordance with the rate fixed by the board of directors and the value of the real property indicated on the tax roll. The computation shall be made on the regular tax bills.

SECTION 15. (a) The county treasurer shall collect the taxes due the district at the same time and in the same manner in which he collects other taxes of the county.

(b) Such taxes shall be subject to the same due and delinquency date, discounts, penalties and interest as are applied to the collection of county taxes.

SECTION 16. Tax funds collected shall be transferred to and held by the treasurer of the watershed conservation district for the specific purpose for which they have been collected. All expenditures of such funds shall be made by the board of directors, approved by the board of supervisors.

SECTION 17. (a) Any one or more owners of land lying within the area defined in Section 3 may petition the board of supervisors to have their lands added to the district. Such petition shall define the boundaries of the land desired to be annexed, the number of acres of land involved, and other information pertinent to such proposal. When the boundary described embraces lands of others than the petitioners, the petition shall so state and shall be signed by twenty-five or more of the freeholders in the territory described.

(b) Within thirty days after such petition is filed, the board shall cause due notice to be given of a hearing on such petition. All interested parties shall have a right to attend such hearing and be heard. The board shall determine whether the lands described in the petition or any portion thereof shall be included in the district. If all the freeholders in the territory involved are not petitioners, a referendum shall be held within such territory as provided in Sections 6, 7, and 8 of this act, before making a final determination. If it is determined that such land should be added, this fact shall be certified by the board of supervisors to the county auditor. After recording, the certification shall be filed with the State Soil Conservation Committee.

SECTION 18. The owner or owners of lands which have not been, are not, and cannot be benefited by their inclusion in the watershed conservation district may petition the board of supervisors to have such lands detached. The petition shall describe such lands and state the reasons why they should be detached. A hearing shall be held within thirty days after the petition is received. Due notice of such hearing shall be given before the hearing. If it is determined by the board of supervisors that such lands shall be detached, such determination shall be certified to the county auditor. After recording, the certification shall be filed with the State Soil Conservation Committee.

SECTION 19. (a) At any time after five years from the organization of the watershed conservation district, twenty-five or more freeholders within the district, or, if less than fifty freeholders are involved, a majority of the freeholders in such district, may file a petition with the board of supervisors, praying that the existence of the district be discontinued. The petition shall state the reasons for discontinuance, and that all obligations of the district have been met.

(b) After due notice the board of supervisors may conduct such hearings on the petition as may be necessary to assist it in making a determination.

(c) Within sixty days after petition is filed, a referendum shall be held under the supervision of the board of supervisors as provided in Section 11 of this act. No informalities in the conduct of the referendum or in any matters relating to the referendum shall invalidate it or its result if notice of the referendum has been given substantially as provided in subsection (b) of this section.

(d) If a majority of the votes cast in such referendum favor the discontinuance of the district, and it is found that all the obligations have been met, the board of supervisors shall make a determination that the watershed conservation district shall be discontinued. A copy of the determination shall be certified to the auditor for recording. After recording, the certification shall be filed with the State Soil Conservation Committee.

SECTION 20. If any supervising soil conservation district is discontinued, the Governing Body of York County shall serve in the same supervising capacity over the watershed conservation district as the board of supervisors.

SECTION 21. The power of eminent domain and the power to tax conferred hereunder shall not extend to such property of any public utility as such utility could have acquired under its power of eminent domain.

SECTION 22. All acts or parts of acts inconsistent herewith are repealed.

SECTION 23. This act shall take effect upon approval by the Governor.

In the Senate House the 24th day of April.

In the Year of Our Lord One Thousand Nine Hundred and Fifty-Eight.

ERNEST F. HOLLINGS,

President of the Senate.

SOLOMON BLATT,

Speaker of the House of Representatives.

Approved the 24th day of April 1958.

GEORGE BELL TIMMERMAN, Jr.,

Governor.

Mr. POAGE. Of these two, are they connected with the other projects, unless there is objection, we will incorporate in the record at this time the "Supplementary Information, Fishing Creek Watershed Work Plan."

(The document referred to, entitled "Supplementary Information, Fishing Creek Watershed Work Plan," follows:)

SUPPLEMENTARY INFORMATION, FISHING CREEK WATERSHED WORK PLAN, SOUTH CAROLINA

1. About 52 farms in the watershed have a combination of flood-plain land and upland. The total land in these farms is about 8,800 acres of which flood-plain land is about 1,236 acres, or 14 percent. Agricultural benefits resulting from the flood prevention structural measures will be reflected in the entire acreage of these farms because flood-plain land is not bought and sold or used and managed separately from upland in this watershed. The alleviation of the flood hazard will enable farmers to adjust the use and management of complete farm units so that the value of the entire farm will be increased.

2. The flood prevention cost assignable to agricultural benefits, if spread to the total area of the 52 farms, amounts to about \$52 per acre. However, only part of this cost is properly chargeable to land. The larger share of the benefits accrue to management, labor, and capital applied to the land. On the basis of one-fourth-three-fourths crop-share rental prevalent in this area, the cost properly assignable to the land is about \$13 per acre.

3. The present average sale price of farms consisting of both flood-plain land and upland is about \$100 per acre.

4. With the project improvements, it is estimated that the average sale price of farms consisting of both flood-plain and upland will increase to about \$115 per acre. The estimated increased value of \$15 per acre compares with the \$13 cost assignable to land.

5. About four farms downstream will be benefited by the proposed project. The land in these farms is estimated to amount to about 700 acres.

6. Although no major problems in water quality management and public health now occur in this watershed, the project will be beneficial to the control of mosquito species associated with floodwaters.

Mr. POAGE. I should like to say this off the record.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Mr. JOHNSON of Wisconsin. Is the city of York ever flooded as a result of this river flooding?

Mr. HEMPHILL. No; it is not.

Mr. STUBBLEFIELD. How far is the creek from the city?

Mr. HEMPHILL. It is about 2 miles; that is, one of the reservoirs would be about 2 miles.

Mr. STUBBLEFIELD. Would your sewage disposal plant be adjacent to the creek?

Mr. HEMPHILL. Yes, sir; that is where it runs into now; yes, that is where it runs into.

Mr. STUBBLEFIELD. I think that you have presented a very good case for this sewage disposal plant, because we have that experience in my hometown. We spent a million dollars on a sewage disposal plant and the first year after it was completed they had to pay nearly \$100,000 to repair it and build a floodwall around it where the creek flooded it.

Mr. HEMPHILL. If it would help me any to get a statement from the mayor of York, I am sure that I can get a statement from him.

Mr. POAGE. May I say that these statements are not worth anything; that is, merely as unsigned statements telling us of the situation.

Mr. HEMPHILL. I understand.

Mr. POAGE. It merely will tell us that the people will cooperate. And they cooperate in every project because it is to their benefit. What we need here is for you to show a cost that is within line. Presently it is \$335 for each acre that you are going to protect. I will not try to speak for anybody else on the committee, but I think that it is high. I do not think that the U.S. Government can get into the business of supporting a program on a nationwide basis at a cost of \$335 for each acre that we protect, unless we can show some other very special benefits. We have had situation where a project protected the whole town.

Mr. HEMPHILL. Yes, sir.

Mr. POAGE. And where we can find those special benefits we have tried to give credit for them in every instance. That is why I asked you if there were any special benefits here due to this sewage disposal plant. If so, we want to know about that. We want to give credit for that or any other special benefits involved here. I do not believe that you showed there were any highway benefits.

Mr. HEMPHILL. No, sir.

Mr. POAGE. Mr. Natcher showed that, I believe.

We are still trying to find what these special benefits may be that we can properly give credit for. We do not want to turn the project down, but I think that you can understand why we do not want to be in the position of saying that we will approve spending \$325 on land that is not worth \$200 per acre. That is not good sense, no matter whose money it is.

Mr. HEMPHILL. Of course, the thing that concerns me, sir, is that while I have no quarrel with the formula used, I think—

Mr. POAGE. We are not trying to use a formula. We are trying to look at the whole broad picture and ask, "Is this good business?"

Mr. HEMPHILL. I think it is good business in this particular instance, because I think that while we are looking at a cost per acre of \$325, nevertheless, these are not the only areas that will be benefited, because the whole community is going to be benefited, in addition to the sewage disposal plant. And while that has actually, perhaps, no technical application here, the committee, of course, is not going to do it on every creek in the Nation. I think that it has some bearing that the Department has recommended it. And, certainly, I desire, your approval.

And may I go off the record?

Mr. POAGE. Yes.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Mr. BREEDING. May I ask what does this land normally sell for?

Mr. HEMPHILL. Originally, it sold for between \$75 and \$100, until Bowwater came in there and began to use some very scientific tree farming methods.

Mr. BREEDING. What do you think it will be worth after you establish this program—how much will it increase the value of this land?

Mr. HEMPHILL. I think it would increase the value of the land around, at least, 50 percent.

Mr. POAGE. And the Department states, whether it is correct or not, that the project improvements estimated, that is, on the average farms sold, were increased to about \$115 per acre. They have estimated the present price of \$100. On the estimated increase of value of \$15 per acre as compared to \$13 per acre.

Mr. JOHNSON of Wisconsin. That is for the total watershed?

Mr. POAGE. I presume that it is.

Mr. HEMPHILL. I might say that South Carolina is late in realizing the water potential, that other parts of the Nation seem to have caught on before we did. We were satisfied to let the average rainfall take us, of course, until we found out that by using the water, for instance, in the growing of crops, such as grapes that we are now growing down there and peaches and things like that in which we have not been so permanently engaged in the past, but have now taken on, that we can increase the yield of the land, at least, 50 percent by the use of water.

I might just cite that in the grape business alone—this is the experience of a farmer I have talked to—it has been that by the use of irrigation he has been able to increase his yield 50 to 75 percent.

In the peach orchards, which are over in one part of my district, by scientific methods of irrigation, Sunnyscope Farms has been able to produce a peach which is not surpassed, I do not think, in the market today.

Mr. BREEDING. Will all this land be irrigated under this project?

Mr. HEMPHILL. I think that this provides water for a lot of irrigation up and down the watershed which is a benefit which is not calculated particularly in here, I do not believe.

I have long been interested in conservation in my home State. I preached of it for years when I was in the State legislature, and that we had not even developed the water resources properly and had neglected the water programs which we had tried to present to the State. The Federal Government came along and really provided the impetus for that. It has given a lot of guidance. We have the

climate, except for this year, where ordinarily we could produce, with a long planting season, and with the water, greater crops.

We could produce—

Mr. BREEDING. How much value does this water have to you for use during a drought? I notice that you used water out of several farm ponds. Would this make water available to the city for its use?

Mr. HEMPHILL. It would under emergency.

Mr. BREEDING. Was that evaluation figured into the benefits?

Mr. HEMPHILL. That is not figured into it.

Mr. BROWN. No evaluation has been made of the water supply, or irrigation values or recreational values, at all. None of those are included in the figures we have. Our figures cover solely agricultural flood protection.

Mr. POAGE. That is true of all of the projects—

Mr. BROWN. That is correct.

Mr. POAGE. That you have presented figures on, because we do not take into consideration recreational improvements. They really increase the value, we know that, but it has not been the policy to include them.

There is a phase of this that I am not clear on but I know it was explained last summer. The statement of the Department is that there are 52 farms. That is all of the farms in the whole watershed, I understand, is that right?

Mr. BROWN. No; 52 farms are the number of farms, Mr. Chairman, that have some flood plain land; in other words, the 1,236 acres of flood plain land are included in the 52 farms, but those farms, generally, consist primarily of uplands and have only a few acres each of flood plain land.

Mr. POAGE. There is 14 percent in the flood plain land?

Mr. BROWN. Yes.

Mr. POAGE. What does it mean by "four farms downstream will be benefited by the proposed projects?"

Mr. BROWN. This means farms below the watershed or outside of the area of evaluation that we have included here.

Mr. POAGE. I see.

Mr. BROWN. If I might make one comment on this value of the bottom land. This again is in the kind of an area where the valley bottom lands are relatively narrow and you hardly ever get sales of bottom land acreage alone. Sale prices apply to farm units as a whole; therefore, it is very difficult to say what an acre of bottom land would be worth.

It is quite conceivable that a farmer, a 100-acre farmer, in order to fill in his particular farming needs, might be willing to buy two acres, if he could get them, and pay \$500 an acre for two particularly well-situated acres. There are no recorded sales in most of the Southeast in these narrow valleys, however, of the bottom land alone.

Mr. BREEDING. Is this near your home town? Do you live here?

Mr. HEMPHILL. No, sir.

Mr. POAGE. Are there any other questions?

Mr. JOHNSON of Wisconsin. I might say that it seems to me that the value of land varies from State to State. Of course, there is the matter of location and so forth that enters into this. A price of \$200 per acre might be too much for an acre of land in some place. As I say, it all depends upon where it is located.

What is the main use of this bottom land, or, what will it be used for? Is it in the cotton area? I imagine that peach trees and things like that are grown on the uplands.

Mr. HEMPHILL. Yes, sir. We do not grow very much cotton. It is mostly row crops. There are lots of corn, vegetables, and things like that grown. Our cotton acreage is, probably, depreciated 75 percent, or it has in the last 10 years, due mainly to the soil bank, and the fact that the allotment of 5 acres meant that you could not put the investment in and get your money out on that basis.

I own some land down there myself. I have had some unhappy experiences trying to make it pay, not in this area, but in another area.

Mr. POAGE. Are there any further questions?

(No response.)

Mr. POAGE. If not, we thank you again very much.

Mr. HEMPHILL. Thank you for your time and your attention.

Mr. POAGE. We appreciate your coming.

Mr. HEMPHILL. Not at all. It is a privilege.

(The following information was also submitted to the subcommittee:)

U.S. DEPARTMENT OF AGRICULTURE,
SOIL CONSERVATION SERVICE,
Columbia, S.C., April 21, 1961.

HON. ROBERT W. HEMPHILL,
House of Representatives,
Washington, D.C.

DEAR MR. HEMPHILL: As you requested, we have gone back to seven landowners in the Fishing Creek watershed for their evaluation of what their land is worth with and without watershed protection. Farmers are good businessmen and take a very practical approach to such problems and generally do not exaggerate. When these seven were interviewed they were informed that their Congressman wanted this information in connection with his efforts to get the Fishing Creek watershed work plan approved by the congressional committee.

Given below is, in substance, what these farmers had to say:

Woodrow Boyd: Flooding seems to be growing progressively worse in my bottoms. This seems to be especially true in the past half year. I would not sell my bottom land for \$250 per acre. I estimate my farm to be worth at least \$180 per acre. A landowner across the road from me is considering the sale of his place at this figure. If protected from flooding and properly drained, I estimate my bottoms to be worth \$500 per acre.

G. D. Herndon: I would like to see the Fishing Creek project go through. I feel that it would be of considerable value to the farmers in the watershed. I am unable to put a price on my land, but I would not consider selling it for \$100 per acre.

J. P. (Pete) Rogers: All bottom land in Fishing Creek will be worth \$200 per acre on a conservative basis if protected from flooding. A farm adjoining me recently sold for \$200 per acre and another sale is pending at \$185 per acre. Flooding has been more frequent in my bottoms this year. Use of this land is now impractical. We need this project badly. We have had an overflow about once each week for the last 2 months. Some damage to roads has occurred but I am unable to estimate repair cost. Flood protection for the bottom lands on our farms will benefit the entire farm in more efficient use of the land.

W. L. Holland: We have here some of the best pastureland in the State. I estimate my farm to be worth at least \$150 per acre but I wouldn't sell for that. After protection, I feel that the bottoms will be worth at least \$200 or more per acre when protection from flooding is provided. There has been considerable flooding this year which emphasizes the need for this project. The water has been over the floor of our bridge twice this year. I would like very much to see this project go into operation.

W. H. Benfield, Sr.: I would not consider selling my land today for \$150 per acre. I value my bottom land at about \$250 per acre. Protection against flooding will increase the value of my land at least \$50 per acre. Other land on the hills will be increased in value accordingly. The whole farm can be managed to a much better advantage and will therefore increase the value of the hill land and the entire farm. We really do need this project and all of the people that I come in contact with would like to see it go into operation.

A. H. Logan: My land in Fishing Creek watershed is worth at least \$150 per acre now. If we had this project in effect, I am sure that the value of my entire farm would be increased to \$200 per acre. I feel that the flood plain land would be increased in value three times. Frequent flooding this year has called to our attention the urgent need of this type of protection. We would certainly like to see this project approved. I have heard no opposition of any kind to it.

James L. Moss, attorney and farmer: I own 528 acres in Fishing Creek watershed and am not interested in selling it for \$200 an acre. All of my bottom land except for 6 acres has been ruined by flooding. There are sand deposits on part of it and the remainder has been swamped out due to flooding. (Mr. Moss has about 50 acres in flood plain.) Sprouts, trees, and a filled-in channel contribute to the difficulties. If the floodwaters can be held back and the channels opened up, almost any crop can be grown on the flood plain. If these improvements can be made, I consider my entire farm will be increased in value to \$300 per acre.

We in the Soil Conservation Service estimate that additional flood plain lands downstream and outside the project will be benefited. Our best estimate is that 350 acres will be given about one-half the degree of protection afforded in the watershed, and that an additional 200 acres will be benefited about 25 percent as much as the lands inside the watershed area. The Soil Conservation Service did not claim the benefits accruing to the 550 acres outside the watershed when computing the benefit-cost ratio for the project.

I trust that this is the type information you wanted.

Sincerely,

HUGH J. DOWDLE,
Assistant State Conservationist.

MARSH CREEK WATERSHED

Mr. POAGE. We will next hear Congressman Siler on the Marsh Creek watershed project in Kentucky and in Tennessee. We are very glad to have you here.

STATEMENT OF HON. EUGENE SILER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. SILER. Mr. Chairman and gentlemen of the committee, the invitation to appear before this Watershed Subcommittee of the House Committee on Agriculture is very much appreciated by me.

The Marsh Creek watershed project, now in the hands of this subcommittee, is in my own congressional district, the Eighth District of Kentucky.

Your approval of this project would do much to help and encourage our people in a section where we have had considerable poverty, unemployment, and discouragement. This would be a real help to us and a source of hopeful outlook for the future. In the immediate past decade my district had a decline in population from 399,000 people to 323,000, or a total of 76,000 people who left my area in this outmigration of these past 10 years. Every county in my own district had a loss of population. This was and is a great tragedy.

In this particular county where this Marsh Creek watershed project is located, the county suffered a 25-percent decline in population dur-

ing this past decade. It is always, in my opinion, a great tragedy when people leave the soil, and when they leave the soil to the extent of 25 percent it is a substantial tragedy and it is something that the country ought to do something about, in my opinion. Even if it does cost some money we ought to encourage these people in every possible way to stay on the soil.

Now we are just trying to help ourselves somewhat on the come-back trail toward better fortune in the future. But we cannot do this alone. We must have your help. And as I understand it, the declared policy of the present administration is to help and assist areas like mine. If we are going to spend dollars to help areas and people where needed, this is one outstanding example of an instance where this can be accomplished in an effective way.

The Marsh Creek project has already gone through the Bureau of the Budget and has now reached your hands. This would not solve all our problems but would be a great help—if you will just agree to help. I understand our cost-benefit ratio on this project is 1.7 to 1 and although this is close yet it is favorable. And you and we are justified in this matter.

I feel there are some intangibles involved in a project of this kind. This cannot be entirely measured in dollars. To approve a project of this kind is to encourage the people to stay on the soil.

You asked something awhile ago about the costs in dollars. It seems to me that when we are faced with a catastrophe in a home we are not concerned about dollars. We just go out and do whatever is necessary to meet that catastrophe, to alleviate that tragedy. This is a tragedy and a catastrophe when 25 percent of the people in one county leave the area. And when a fourth of the farm population leaves the soil it is a tragedy. Really, it is an indictment upon our rural way of life. And this is one way to alleviate that tragedy and to encourage the people to stay on the soil. And we cannot do it unless we have some help like this. This would help solve a very great problem.

You also mentioned awhile ago something about defending this on the floor of the House. I will, certainly, do my best to defend you and to defend myself and to defend the whole undertaking if you will give me that opportunity.

Mr. POAGE. Will you yield right there?

Mr. SILER. Yes.

Mr. POAGE. These individual projects do not come up on the floor of the House.

Mr. SILER. The whole program does, I understand.

Mr. POAGE. The program does; yes. That is the point; it is the program and not the individual projects.

Mr. SILER. I understand that. I will be glad to defend the program myself.

So, I close by urging you again to approve this project and also with an expression of my gratitude to you in advance for your consideration of our need and our project.

I understand that Senator Cooper is coming over.

Mr. STUBBLEFIELD. Senator Cooper wanted to appear here this morning, but he was precluded from being here. However, he said that he would like permission to file a statement for the record.

Mr. POAGE. Very well, if he comes, we will hear him; if he does not come, we will include his statement in the record.

Mr. SILER. Thank you very much. I know your problem. I know you have a big problem here.

(The letters of Hon. John Sherman Cooper and Hon. Thruston B. Morton, U.S. Senators from the State of Kentucky, follow:)

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
February 16, 1961.

HON. W. R. POAGE,
Conservation and Credit Subcommittee, House Committee on Agriculture, New House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I want to thank you for extending to me an opportunity to attend the meeting of your subcommittee today at which the Marsh Creek watershed was reviewed. I regret very much that it was not possible for me to be present.

When I appeared before your subcommittee on June 24, 1960, I presented a detailed statement as to the reasons for my deep interest in the Marsh Creek watershed, and explained that it is near my home and I am well acquainted with the people and the problems of the area. It is located in McCreary County, where there are serious problems of unemployment and low income. As you know, the proposed project would drain the narrow bottoms along Marsh Creek and the six creeks running into it, and thus permit the farmers to resume cultivation by putting the drained bottoms into the specialty truck crops which would bring quick cash returns.

In the President's economic message to the Congress, he has urged agencies of the Federal Government in locating new facilities to give every reasonable preference to labor surplus areas. He has cited water resources programs, including watershed development, as an area calling for priority attention.

The Marsh Creek watershed has an excellent cost-benefit ratio, and has been approved by the Bureau of the Budget and the Senate. I appreciate the consideration of all the factors by your subcommittee, and I am hopeful that approval will be granted.

With personal regards, I am,
Sincerely yours,

JOHN SHERMAN COOPER.

U.S. SENATE,
COMMITTEE ON FINANCE,
February 15, 1961.

HON. W. R. POAGE,
Chairman, Subcommittee on Watersheds, House Committee on Agriculture, House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: I have been advised that your subcommittee will meet on Thursday morning, February 16, to consider the work plan for the Marsh Creek small watershed project in McCreary County, Ky.

I am familiar with the questions raised last year concerning the per-acre cost of providing watershed protection, and I certainly hope that additional data submitted by the Soil Conservation Service is adequate to remove the objections and justify your favorable consideration of the project.

The Senate Committee on Agriculture and Forestry approved the work plan in June 1960, and there is tremendous interest in McCreary County in support of effecting the watershed's operation as soon as possible.

With kindest personal regards,
Sincerely yours,

THRUSTON B. MORTON.

Mr. JOHNSON of Wisconsin. I have gone over the statement from the Department. I see it states that the University of Kentucky estimates that the flood-plain land has a value that may reach \$2,000 per acre.

Mr. POAGE. You estimated this at what cost?

Mr. BROWN. Mr. Poage, we do not agree with the figures of the Corp of Engineers. Our figure, based on a Federal cost of \$701,000, divided by the 948 flood-plain acres is \$726, about one-half of their figure.

Mr. POAGE. Before we go further, without objection, the supplemental information memorandum will be made a part of the record at this point.

(The document entitled "Supplementary Information, Marsh Creek Watershed Work Plan," follows:)

SUPPLEMENTARY INFORMATION, MARSH CREEK WATERSHED WORK PLAN,
KENTUCKY

1. Thirty-one farms in the watershed have a combination of flood plain and upland. The total acreage in these farms is 3,840 acres of which flood-plain land is about 948 acres, or 25 percent. Agricultural benefits resulting from the flood prevention structural measures will be reflected in the entire acreage of these farms because flood-plain land is not bought and sold or used and managed separately from upland in this watershed. The alleviation of the flood hazard will enable farmers to adjust the use and management of complete farm units so that the value of the entire farm will be increased.

2. The flood prevention cost assignable to agricultural benefits if spread to the total acreage of the 31 farms amounts to \$181. However, only part of this cost is properly chargeable to land. The larger share of the benefits accrues to management, labor, and capital applied to the land. On the basis of a $\frac{1}{4}$ - $\frac{3}{4}$ crop-share rental, the cost properly assignable to land is only about \$45 per acre.

3. The present average sale price of farms consisting of both flood plain and upland is about \$68 per acre. Flood-plain land is valued at \$120 per acre and upland at \$50 per acre.

4. With the project improvements, it is estimated that the average sale price of farms consisting of both flood plain and upland will increase to about \$513 per acre. The increase of \$445 per acre compares with the \$45 cost properly assignable to land, a ratio of more than 9 to 1. Flood-plain land would be valued at an estimated \$1,300 per acre and upland at an estimated \$250 per acre with the project. Estimates made by the extension service of the University of Kentucky indicate that flood-plain land values may reach \$2,000 per acre.

5. The present average sale price of farms consisting entirely of upland is about \$30 per acre. With the project, this value would increase to an estimated \$60 per acre.

6. The sediment load of Marsh Creek will be reduced by 21,000 tons per year. This will reduce the sedimentation rate and thereby prolong the life of Lake Cumberland, a \$79 million flood control and hydroelectric project located 25 miles downstream.

Mr. POAGE. The Engineers have a figure about twice that?

Mr. BROWN. They did not apply it to the entire flood-plain acreage. As I understand it, they have applied it to the cropland acreage.

Mr. JOHNSON of Wisconsin. I notice in your statement that you talked about the Marsh Creek project and what it will do for this hydroelectric project located 25 miles downstream.

Mr. BROWN. Yes; that is one of the unevaluated off-site benefits that would help reduce the silt flow that is coming into this large Federal reservoir down there.

Mr. JOHNSON of Wisconsin. How many other creeks flow into this Lake Cumberland?

Mr. BROWN. This reservoir has a very large watershed, of course. This watershed contains only a small percentage of the total drainage that goes into that reservoir but each small watershed project that might be developed along with this one would add to the protection of this reservoir.

I might recall to the committee, Mr. Chairman, that this project is one in which the local people have signed agreements to produce strawberries with a processing company, that would put a plant in there, if this project permitted the development of the land. And the value per acre estimated by the Kentucky Extension Service is based on what this land would be worth with protection and its use for growing strawberries and other vegetables which would be processed in this plant.

Mr. McINTIRE. Right there, Mr. Brown, I appreciate that you seek to get the best guidance and the best source of information that you can to be used in this as to the probable use and probable value. This one bothers me, because one of the most competitive factors on the east coast, so far as strawberries are concerned, is the State of California. There is plenty of acreage on the east coast, or in the eastern part of the country, that could be devoted to the growing of strawberries. This is not a noncompetitive business wherein the processing or the handling or growing of strawberries is an open opportunity. It is a highly competitive proposition.

I realize that a processor may say that he will be willing to come in, but it would not add substantially to the ultimate value that this land will have, that I would like to see it, because this business is not as easy as saying that today we are going to bring in a little area of production and we are going to put in a processing plant, because they have some real competition in that fresh fruit market and in the processing market.

I do not want to downgrade the potential here, but I, certainly, raised some question as to where this project, the strawberry project, is going to be 5 or 6 years from now, in relation to the true value of this proposition.

I cite that situation and as to somebody raising fresh vegetables, there is no shortage of vegetables, either.

Mr. BROWN. I think it is true that it can be said that the use of this land for specialty crops, such as strawberries, would be required in order to have a favorable benefit-cost ratio.

Mr. McINTIRE. Right.

Mr. BROWN. The processing people who have signed the agreements with the potential strawberry growers evidently feel that it would be a profitable venture in this locality. Why they feel that this would be profitable here, rather than in some other place, I do not know. All we have is the evidence that they do feel that this would be profitable.

Mr. POAGE. They do it because of the existence of a supply of cheap labor, do they not—is that not the reason? You cannot make strawberries profitable unless you pick them.

Mr. BROWN. This, of course, is an area of severe underemployment. This is the kind of an area in which the Department, for example, has made strenuous efforts over the last several years, Mr. McIntire, to push and promote rural redevelopment in which marginal farming could be associated with industry for specialized types of labor in part. I think that is one of the principal benefits that might be cited for this project and might be used as a justification for such projects throughout this entire rural depressed area belt in Kentucky, West Virginia, Pennsylvania, and elsewhere, where, apparently, con-

siderable aid is going to be extended in other ways to help people who are in desperate straits.

If our appraisal is real that this does offer the opportunity for bringing in a new industry into this area, associated with agriculture, this would be a stabilized type of economy not requiring in the future, perhaps, the continuous forms of assistance, such as welfare assistance, that might otherwise be necessary.

Mr. SHORT. You indicated that some processing concern had indicated this willingness or desire, perhaps, to enter into agreements with growers. Has there been any indication as to a willingness on the part of the processor to give an indication of any price that they might establish?

Mr. BROWN. I could not say as to that whether the agreements have been on a price basis. I doubt it. Probably, on the basis of agreeing to take a certain volume of production. We would be glad to check that however, and inform the committee and get that information in the record.

Mr. SHORT. This to me is the gist of this whole consideration. If this is going to be a profitable operation for these people in this community it depends entirely on how good a price they are going to be able to receive for what they produce on this land. If this project is a program of spending this very considerable amount of money on each acre that is involved here to enable these people to produce these strawberries at a rather low cost, perhaps we should give some thought as to how far we should go, in effect subsidizing this particular area, to come into additional competition with some of the existing areas in the United States that are already in the business of producing strawberries.

Certainly, I am one of those who sympathizes very greatly with these areas where there is a dire need for some new agricultural opportunity, but at the same time, when we are concerned with considering here, it seems to me, the possibility of spending \$726 per acre, after all just how practical, from an economic standpoint, is such a program?

Mr. POAGE. Is it not more of a reclamation project than most? Is it not basically a reclamation project? They are not suffering any flood losses day by day and year by year. Each year it is very minor, is it not?

Mr. BROWN. Well, this is similar to a good many projects in which the degree of flooding is so severe that the land is not being used to its capability—anywhere near its capability—at the present time because of the frequency of flooding.

As you say, there is not very much annual damage at the present time.

The principal benefit of the project would be by controlling the floods, to permit conversion of part of this land to highly productive crop land usage.

Mr. POAGE. Let me go into it a little bit further. You do not contemplate but about one-half of it to be converted, some 400-odd acres which are to become converted, isn't that right?

Mr. BROWN. Yes.

Mr. POAGE. The other 400 acres would not be converted. In figuring this cost it gets down to \$726 an acre. And in that you have to

include about 900 acres of flood plain land, about one-half of which would be converted to this high productivity.

Mr. McINTIRE. This is not too much different, with your line of thinking, than some of the other projects that we have reviewed which would protect what was formerly good land. I am thinking particularly of the coastal areas of the Southeast where, by virtue of the upstream management, we reduced the flooding to permit some bottom land to come back into production, land which years ago was valuable, but which, by virtue of the filling of the normal stream channel, had been flooded out and was removed from agriculture and the project has recovered that, and I think your reference must be to the same as that.

Mr. POAGE. It was valuable land.

Mr. McINTIRE. That is valuable from a standpoint of history, yes, because of its location.

Mr. BROWN. Mr. Chairman, the work plan which you have before you contains this information. I believe this was presented last year, but if I might read just a few short sentences of it, it says, that—

there were 467 acres of flood plain land evaluated for changed land use, including intensive utilization, with the project. These acres will have an out-of-bank flow from floods which, with the project, will occur less frequently than once in 5 years.

According to the horticulturalists and economists of the Kentucky Experiment Station, these areas in southern Kentucky are favorably located for special market truck crops, as they are in the transitional zone between the truck crop areas of the State. Adequate outlets for the disposal of truck crops produced in the watershed have been established by the Kentucky Strawberry Growers Association. During the past few years the association has shipped to market, including chains, jobbers, brokers, and packing concerns in Michigan, Indiana, Ohio, Virginia, Missouri, Tennessee, and Kentucky.

So the growing of strawberries is an established industry in this region of the State, that is, at the present time, apparently, as well as other markets.

Mr. POAGE. There are 948 acres of flood plain that could be productive—that could be protected from the floods?

Mr. BROWN. Yes.

Mr. POAGE. Those 948, approximately one-half or 457 acres would be devoted to incidental cultivation?

Mr. BROWN. That is correct, sir.

Mr. POAGE. And the other one-half would not be improved very much?

Mr. JOHNSON of Wisconsin. Is that because of the trees that have grown up on it, things like that, which would have to be cleared out, or is the other one-half not suitable for agriculture?

Mr. BROWN. I think there would be an improvement in the use of the remaining acreage, but this presumably is based on utilizing the best of the acres in the flood plain for crops.

Mr. POAGE. The benefits would come from these 467 acres?

Mr. BROWN. That is correct. This produces most of the benefits to justify the project.

Mr. POAGE. In order to make the 467 acres produce what you contemplate, there would be an expenditure on the part of the landowners of another \$169 an acre for drainage; that is correct, is it not?

Mr. BROWN. That is correct; yes.

Mr. BREEDING. Isn't the biggest value here in keeping the silt out of the hydroelectric project of the Government? Is that not of more value than the rehabilitation of the people?

Mr. BROWN. This, of course, is a substantial value which, as I pointed out, has not been taken into account in the benefit-cost analysis. It is a substantial additional value.

Mr. BREEDING. It has not even been considered in this?

Mr. BROWN. That is right.

Mr. BREEDING. It seems to me that would be the biggest value to this project, the value of keeping the silt out of the hydroelectric plant.

Mr. POAGE. It depends upon how much benefit there is. If we rely on that, have they not got to show us or have we got to find out?

Mr. BREEDING. I think that is true. We spent \$79 million on the larger project. I was thinking that a little bit more spent might help to save that investment of \$79 million.

Mr. JOHNSON of Wisconsin. That is 25 miles below this, is it not?

Mr. BREEDING. It is quite a ways down. However, there is probably a lot of mud that comes down from this area.

Mr. STUBBLEFIELD. It comes down fast. There are gorges, actually.

Mr. SHORT. Mr. Chairman, making a further comment on what Congressman Breeding said, this project we have been considering here at the beginning, Mr. Natcher's project or the Caney Creek project, the justification for that project is the saving that is going to accrue in the cost of the highways that are in the process of being built through this affected area. It seems to me that the same justification should be applied to the savings in these structures already built.

Mr. POAGE. I agree with you but I think somebody has to show that there is a saving. I do not think that we can just assume that because there is navigation down on the Mississippi River that this thing will be of such importance that it will affect that navigation materially down there. I mean, I think that we have to have some evidence. Mr. Natcher did give specific evidence as to the actual amount involved. He presented that and showed what it would cost with and without his project.

If Mr. Siler can show something about that, that there is an annual saving of \$7,000 for example, I think that we ought to take that into consideration; but, I think that the burden is on the proponents to make the case.

Mr. BROWN. On this yellow sheet, Mr. Chairman, that has been presented to you we have shown in item No. 6 that the amount of reduction that will be affected by this project is 21,000 tons per year.

Mr. POAGE. How much of that goes to Lake Cumberland?

Mr. BROWN. All of that will get there. That is what this figure means, of the amount coming down, that would get to Lake Cumberland the reduction will be 21,000 tons per year.

Mr. POAGE. How many acres—how many acre-feet is that?

Mr. BROWN. Well, that would be roughly about, I think, 23 acre-feet.

Mr. POAGE. Twenty-three acre-feet?

Mr. BROWN. Yes.

Mr. POAGE. That cannot be right. If you put topsoil over the floor of this room a foot deep, you would have about 20 tons of soil in here—you might not have 20 tons, but you will have a good many tons.

Mr. BREEDING. I think that you will have very close to 20 tons.

Mr. POAGE. I think that you would, too. On what basis did you calculate that?

Mr. SWIGART. I assumed a weight of 40 pounds per cubic foot for sediment submerged in a reservoir. On the basis of 21,000 tons, that is about 23 acre-feet. Forty pounds to the cubic foot would give you 871 tons per acre-foot.

Mr. POAGE. 871 tons per acre-foot?

Mr. SWIGART. That would be right. That, divided into 21,000, will give you about that figure.

Mr. BROWN. The deposit in a reservoir, you see, is not compacted like soil. The average soil will weigh 80 to 100 pounds per cubic foot, but when this silt is carried in suspension in the stream it takes up space at the rate of about 40 pounds to the cubic foot.

Mr. POAGE. It does not become compact?

Mr. BROWN. No, it does not compact to the weight of soil.

Mr. POAGE. It compacts over the years, does it not—is not the density of it much different after the first year?

Mr. BROWN. No, sir. At the extreme upper end where the reservoir may be drawn down and it dries out it may, but the silt that is continuously submerged under water never does compact to its original volume weight relation as soil.

Mr. POAGE. It does not. And in the upper end it does do that?

Mr. BROWN. That is right.

Mr. POAGE. In the upper end is where you get most of the silt, is it not?

Mr. BROWN. Not necessarily. This fine silt gets all the way down to the dam—a good share of it goes on down and settles there in the lower portions of the reservoir. The upper end of these reservoirs may contain only about 10 or 15 percent of the total amount of sediment that is accumulated in the reservoir. The accumulation right now immediately in front of Hoover Dam on the Colorado River, which is over 100 miles downstream from the upper end, is about 200 feet in depth.

Mr. POAGE. Let us figure it out. You said that there would be about 22 acre-feet, something like that—

Mr. BROWN. Twenty-three acre-feet, using forty pounds per acre per cubic foot. And if you use 60 pounds, it would be less than 20.

Mr. BREEDING. What is the value of the acre-foot of displacement there of the water?

Mr. BROWN. That is the thing that we have no answer to.

Mr. BREEDING. What is its value?

Mr. BROWN. You can get down to that at—depending upon the location.

Mr. POAGE. In one reservoir in Texas it is selling at \$64 an acre-foot; that is, they are selling storage at that rate. That is being sold to the local community. And in another it is \$23. They are actually doing it on those bases.

Mr. BROWN. It depends on the purpose for which the water is used, of course. And where the water is used and how badly it is needed.

One school of economists would say that you take the total storage in a reservoir and divide it by the cost of the reservoir, and whatever that amounts to, maybe \$10 or \$15 an acre-foot, that is the value of the water. But, on the other hand, if you run that water through power generators it is computed on the basis of the sale of the power and it may be worth several times that in value.

Mr. POAGE. I think that we ought to take into consideration whatever saving is here, and if you figure the water at \$40, that is about one-half way between what they are actually selling it for, that is, the Government is selling the storage for—I do not mean somebody else but that the Government is selling it to the cities for that—they sell them storage at those prices—if you figure it at \$40 that is \$800-some-odd a year.

Mr. BREEDING. And they figure 100 years, do they not?

Mr. POAGE. They only figure 50 years. That is the basis on which they are built, on a 50-year payoff. And 50 times \$800 would be \$40,000, would it not? That is a benefit here.

It seems to me that somewhere in that the benefits would probably be in the neighborhood of \$40,000 or \$50,000. I think they are entitled to credit for that. That is somewhere in the order of what it is worth, is it not? Of course, if you did not figure it worth more than \$23 an acre-foot it would not be nearly that much. And if it were figured being worth \$64 it would be more than that. It is somewhere around \$40,000 or \$50,000. That would be the benefit that this would be to the lake.

I think we ought to take that into consideration and give them credit for whatever it will benefit the lake.

Mr. SHORT. It seems to me that this consideration continually comes up in connection with these watershed projects. And it seems to me that it is one of the very real and important benefits of these projects.

Further, it seems to me to bring us to the point where we should be trying, if such a thing is within the realm of possibility, to establish some criteria for the benefit that will accrue to these downstream structures that are already installed for the retarding of this silt flow into those reservoirs. Furthermore, it seems to me like a very real proper justification for the whole watershed program.

Mr. BROWN. I am sure that we would agree with your point of view and that it is very well taken.

As we pointed out yesterday, our policy up to this time has been that if the benefits that could be evaluated in the project—the direct tangible benefits—were sufficient to establish a favorable ratio of benefits to cost that we did not go any further because it took time and it took money to make these additional evaluations, but now if it is the opinion of the committee that we ought to try to place a value on these various other kinds of obvious benefits, why then we should change our policy and do so.

Mr. POAGE. That's not going to run more than \$40,000, \$50,000—is that not what, obviously, it will run?

Mr. BROWN. I can—I am sure that it will be somewhere in that order of magnitude; yes.

Mr. JOHNSON of Wisconsin. It shows up when you get the rest of the streams that come into that dam covered in the watershed. Your

benefits finally accrue when you get all of them harnessed, so that they do not flood and fill up the big dam.

Mr. POAGE. Is there anything further on the Marsh Creek project? (No response.)

Mr. POAGE. If not, we thank you very much.

Mr. SILER. Thank you.

WAIANAE IKI WATERSHED

Mr. POAGE. We have with us our colleague from Hawaii, Mr. Inouye. He is going to discuss Waianae Iki in Hawaii.

STATEMENT OF HON. DANIEL K. INOUE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. INOUE. Mr. Chairman and gentlemen, I realize the committee is quite busy. I have here a prepared statement which I would like to submit for the record.

Mr. POAGE. We will be glad to have it for the record and it will be incorporated—it will be inserted at the end of your remarks.

Mr. INOUE. I should like to take a few minutes of your time to point out a few things.

I am certain that the committee has in its possession all of the information necessary as to the cost-benefit ratio, which is 1.4 to 1. The acreage involved here is 11,700, I believe. The average annual damage from flood has been approximately \$150,000.

I have been told by the Soil Conservation people in Hawaii that in coming to the conclusion of the cost-benefit ratio many times they failed to take into consideration many of the benefits because when they reached a certain point they felt that it was unnecessary to compute any more benefits. I would like to amplify this point. Because of our geography, whenever a flood occurs in the Waianae Iki or in the Waianae Nui areas, many of our produce people have to then go to the mainland to buy their produce, primarily in California. And in so doing, in order to assure themselves of a long-range selling and purchasing program they buy large amounts of produce from the mainland.

If this project was approved, we can assure ourselves in Hawaii of some stability of markets which we do not have at the present time. Every time there is a flood our merchants have to go to the mainland, and the cost of the produce from the mainland, I am sure you can realize, is much higher than it is in Hawaii because of the transportation charges being involved and the handling charges.

I just want to bring this to your attention.

Another point is that the Waianae Nui and the Waianae Iki projects are adjacent projects. I firmly believe that if the two projects are approved it would cut down the costs and solve much of the manpower problems that are involved. Instead of having two separate projects at two different times, if your committee should approve the Waianae Iki project now, this duplication of effort will be eliminated.

Mr. SHORT. May I ask you a question?

Mr. INOUE. Yes.

Mr. SHORT. I believe that you said that there were some 11,000 acres involved overall in this project.

Mr. INOUE. In the Waianae Iki project.

Mr. SHORT. That is in this project that we are considering?

Mr. INOUE. Yes, sir.

Mr. SHORT. How many acres of agricultural land are involved?

Mr. INOUE. Most of this is agricultural.

Mr. SHORT. It is principally that?

Mr. INOUE. Yes, sir.

Mr. SHORT. Somebody made some mention that there was a little urban development area involved. That is what I am trying to get straight.

Mr. INOUE. It is rather difficult to picture. This is a community in itself. Waianae Iki is completely separated from the major urban area of Honolulu. It is an agricultural area, yet to support the agricultural industry you have your small stores and your churches and your school buildings and you have homes for the people who live there.

Mr. SHORT. They are sort of interspersed within the area?

Mr. INOUE. Yes, sir.

Mr. SHORT. Thank you.

Mr. BREEDING. Is it from the valley, down in the valley like?

Mr. INOUE. Yes, sir; primarily in the valley.

Mr. POAGE. I saw this valley when I was out there. There are about 11,000 acres which are, apparently, all pastureland and there is not anything else except for some housing. The estimate here is 68 acres that is in cultivation of the whole thing.

Mr. BREEDING. Sixty-eight?

Mr. POAGE. Sixty-eight. I believe that would be about right. There are several farms that are an acre or two each. Most of it is not in cultivation as such. I doubt that there are more than 100 acres in cultivation—that as distinguished from pastureland.

Mr. INOUE. We have more than that. We—I do not have the exact amount here.

Mr. POAGE. In this project you showed to me?

Mr. INOUE. I should like to state that although the acreage may be small, the amount produced per acre is fantastic.

Mr. POAGE. I know that—I agree with you on that—it is fantastic, and the project is an advantage to this urban area which is on the other side of the island from Honolulu. You will recall that as you come around the island on the road, the urban area is built up there on a kind of levee which must be about 15 feet above sea level, is it not?

Mr. INOUE. Yes.

Mr. POAGE. Or maybe 10 feet higher than it is back on the landward side. Obviously there is a depression back there and it floods a lot of houses. I do not think there is any doubt about the damage it is doing. It floods the area.

To my mind this project is not an agricultural problem at all. It is an urban problem—urban in the sense that it is not the city of Honolulu but a development of houses that you will find near any large community—with dozens of houses, little stores and churches and that sort of thing along there.

And there is a Government road there, is it not?

Mr. INOUE. It is a public road.

Mr. POAGE. I got the impression that it had something to do with the defense.

Mr. INOUE. Yes, sir.

Mr. POAGE. And there is a highway that runs all the way around, a very good highway. And the people naturally settled along there. There is a beautiful beach in front of you on the seaward side of the highway. The highway, as I say, is 10 or 15 feet higher than the land on either side. Obviously, when that flood comes down it floods the houses; there is not any question about that. Certainly, they cannot develop it. And most of the development in there is by poor people who have built their own homes, doing their own construction, without benefit of contractors or carpenters. It is a community that certainly needs help. There is no question about that, but from the standpoint of it being an agricultural project I do not see that.

They took me and showed me the agriculture, they showed me one substantial crop of papayas and several other small patches, and a few vegetable patches, but the sum total of what I saw in cultivation would not be over 100 acres.

Mr. McINTIRE. What is the cost of it?

Mr. POAGE. About 2 million, I think.

Mr. INOUE. It is \$1,791,000 for the Federal and \$461,000 by our State agency.

Mr. POAGE. Let us go off the record.

(Discussion off the record.)

Mr. POAGE. Back on the record.

Mr. INOUE. The streams go right out to the ocean.

Mr. POAGE. They do, but when the tide comes in and the flood comes in at the same time, I think that it is bound to impound the water into a pond behind this; in fact, they showed me many houses where the water they said was up as high as the last floor. I am sure that it would.

Mr. INOUE. Mr. Chairman, may I be given permission to get additional information? I do not have the number of acres under cultivation.

Mr. POAGE. Certainly.

Mr. INOUE. They just gave me the total figure.

Mr. POAGE. I do not think that is too important, but I think that it is well to get it. I would like to have it.

To me, if this project is to be approved it must be approved upon the loss that the homeowners are taking, not upon the agricultural loss, because I just cannot believe you have an agricultural value there enough to justify a project of this magnitude. I am not saying that the project is not good. I think they certainly need some kind of flood control—whether it is by the Army Engineers or this kind of project—definitely there is a flood problem. There is not any question about that, in my mind.

There is a serious question in my mind how it will relate to agriculture. I do not know where we should go on that. The law is not plain on that. When we wrote it we did not attempt to answer that question very well. Are these projects to be used where they give only urban protection?

Mr. INOUE. Would the committee consider acreages used for dairy purposes and the like?

Mr. POAGE. Certainly, those that are cultivated. Obviously, there is a kind of grass that is fed to the cattle. At the time I saw the grass it was very dry. Of course, I realize that is like all grass in west Texas; it will be dry at one season and green at another. It was quite dry then, but, obviously, they run dairy cattle on a good many acres, I am sure of that. However, I am talking about the actual acres that are plowed and used to produce crops.

Mr. McINTIRE. May I ask what was the origin of what would seem to me a decision that had been made as to whether to approach this problem through the vehicle of Public Law 566 or through the Corps of Engineers; what constituted the decision as to which way you went on this?

Mr. INOUE. I am unable to answer that.

Mr. POAGE. I think it was simply in order that the SCS might say that they had a flood prevention project in the new State.

Mr. WETZEL. Actually, when the original application was made for this project, the Corps of Engineers were not carrying on activities, that is, flood prevention activities in the islands. That has changed since. However, the project has been coordinated very closely with the corps; it has been endorsed by the corps, as has been, in fact, the one that was approved, Waianae Nui. Currently the Corps of Engineers and our engineers are working together in developing the design for this channel and the outlet flows into the ocean.

I think, Mr. McIntire, the case here is that here was an authority that was available to the local people. There was a need for this flood prevention. The corps was in complete agreement and is still in complete agreement that this is a logical watershed project.

Mr. POAGE. I do not question the need of flood control there. I think it is very obvious to any layman. Certainly, they need flood control. What I think we have to make a decision on, not simply alone on this project, but on all, is whether we can justify taking a project anywhere, whether in Hawaii or in New York State, and using Public Law 566 as a vehicle to provide them with flood control, when there is a minimum of agricultural interests involved.

It seems to me that the problem here, the question here is how far should we do in doing something which is unquestionably needed—and I think it clearly falls within the functions of the Corps of Engineers—but how far should we go in doing something which has a minimum of agricultural justification? That is the only question that I would raise. I just could not see the agricultural basis for this project. I can see the need for flood control. Certainly, I will testify that they need flood control, but I do not see the agricultural basis for it.

Mr. WETZEL. As we testified last year our present policies are not based on the type of value that is protected. The determination as to whether it is an eligible watershed project is based on whether the program to be developed is applied on the watershed land or whether it is applied as local protection works to the urban area; and, in other words, if the needed protection can be accomplished by the watershed program on the agricultural land, combined with small reservoirs or channel improvements, even though it is 100 percent urban protection, it would be considered a logical watershed project. An example is Sulphur Creek, where the primary purpose for that project was to protect the town of Lampasas; but the program that was needed was

a program to be installed on the agricultural land, on the watershed land, so we have not differentiated.

Mr. POAGE. I do not find fault with what you have done, because I think that is the way the law reads. I do not think there is any doubt about it, but I do think that we ought to consider here how far are we going to go with a program that commits money which is quite limited—we got \$37 million, was it not, for this work last year—and if you commit some of that to a project which is urban, as you did do at Lampasas, and you do that here and yonder, and you do that in about 10 or 12 other places, you are not going to have any program. All I am saying is that you can work us clear out of the agricultural program mighty fast with the approval of these kinds of projects.

I am not blaming the Department. I think they did what they had to. But I am wondering if it is the kind of policy Congress wants to continue.

Mr. BROWN. I would like to get this in the record. Of the projects approved to date, approximately 15 percent of them have more than 50 percent nonagricultural benefits. This indicates about the range in which this is going. We do not see any trend over the last 3 or 4 years to get more projects that are primarily nonagricultural than we had in the beginning. I think the reason for this is that the recommendation of priority on these projects is in the State committees and other State organizations designated by the Governors who are looking at this program as being, primarily, of an agricultural nature. And I doubt if there is any indication that we will experience a major change in the situation, although I think we will from time to time have projects coming up that are primarily nonagricultural, simply because in the view of those who set the priorities, they feel that this program is better adapted for doing the job than the program of the Corps of Engineers or any other agency.

Mr. POAGE. In this case it was not that anybody decided that you are better suited to do the job, but that the engineers were not doing the job?

Mr. BROWN. That is correct in this case.

Mr. McINTIRE. May I say this to support your statement? I have experienced this same screening to which you have referred on a river that did flood out with floods periodically, and there was a determination made by the Soil Conservation Service, in examining the situation and notwithstanding the fact that there was flooding that it did not meet the criteria under Public Law 566 and then the other alternative, of course, is to go to the engineers. This really does take place. I am personally familiar with that.

Mr. BROWN. I might also make this statement for the record, that the President issued a new Executive order January 18, Executive Order 10913, which does set forth criteria for the coordination of this program with the programs of the Corps of Engineers, the Department of the Interior, and the Tennessee Valley Authority. This new Executive order incorporates the agreements which the Service and the Corps of Engineers reached some 2 years ago with respect to the division of responsibilities for urban protection. We submit for the record a copy of this Executive order.

(Executive Order 10913 is as follows:)

EXECUTIVE ORDER 10913—AMENDING EXECUTIVE ORDER NO. 10584 OF DECEMBER 18, 1954, PRESCRIBING RULES AND REGULATIONS RELATING TO THE ADMINISTRATION OF THE WATERSHED PROTECTION AND FLOOD PREVENTION ACT

By virtue of the authority vested in me by the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001 et seq.), and as President of the United States, it is ordered that Executive Order No. 10584 of December 18, 1954, be, and it is hereby, amended by deleting sections 1, 2, 3, and 4 thereof, by renumbering sections 5 and 6 thereof as sections 6 and 7, respectively, and by substituting the following new sections:

"SECTION 1. *Scope of order.* This order shall apply (a) to the planning, construction, operation, and maintenance of all works of improvement under the authority of the Watershed Protection and Flood Prevention Act (Public Law 566, approved August 4, 1954, as amended; 16 U.S.C. 1001 et seq.), hereinafter referred to as the Act, and (b) to other programs and projects of the Department of Agriculture, and to programs and projects of the Department of the Interior, the Department of the Army, and other Federal agencies to the extent that such programs or projects affect, or are affected significantly by, works of improvement provided for in the Act.

"SEC. 2. *General administration.* The Secretary of Agriculture shall have the following-described responsibilities under the Act:

"(a) Approval or disapproval of applications for Federal assistance in preparing plans for works of improvement, and the assignment of priorities for the provision of such assistance.

"(b) Establishing criteria for the formulation and justification of plans for works of improvement and criteria for the sharing of the cost of both structural and land-treatment measures which conform with the provisions of the act and with policies established by or at the direction of the President for watershed protection, flood prevention, irrigation, drainage, water supply, and related water-resources development purposes.

"(c) Establishing engineering and economic standards and objectives, including standards as to degrees of flood protection, for works of improvement planned and carried out under the authority of the Act.

"(d) Determination and definition of (1) those land-treatment measures and structural improvements for flood prevention and measures for the agricultural phases of conservation, development, use and disposal of water or for fish and wildlife development which are eligible for assistance under the act, and (2) the nature and extent of such assistance and the conditions under which such assistance shall be rendered.

"(e) Planning and installing works of improvement on lands under his jurisdiction, and arranging for the participation of other Federal agencies in the planning and installation of works of improvements on lands under their jurisdiction. Recommendations of the heads of other Federal agencies for necessary works of improvement on lands under their jurisdiction shall be submitted as an integral part of the plans of the Department of Agriculture for works of improvement. Arrangements for construction, operation, and maintenance of works of improvement on such lands shall be mutually satisfactory to the Secretary of Agriculture and the head of the Federal agency concerned.

"(f) Submitting plans for works of improvement to the State Governor or Governors concerned and to the Federal agencies concerned for review and comment when the Secretary and the interested local organization have agreed on such plans; and, when and as required by the Act, submitting such plans to the Secretary of the Interior and the Secretary of the Army for their review and comment prior to transmission of the plans to the Congress through the President.

"(g) Giving full consideration to the recommendations concerning the conservation and development of fish and wildlife resources contained in any report of the Secretary of the Interior which is submitted to him, in accordance with section 12 of the Act and section 5 of this order, prior to the time he and the local organization have agreed on a plan for works of improvement, and including in the plan such works of improvement for fish and wildlife purposes recommended in the report as are acceptable to him and the local organization.

"(h) Holding public hearings at suitable times and places when he determines that such action will further the purposes of the Act.

"Sec. 3. *Notification.* (a) The Secretary of Agriculture shall:

"(1) Notify in writing the State Governor or Governors concerned, the Secretary of the Interior, the Secretary of the Army, and other Federal agencies concerned of his decision to initiate any survey or field investigation involving water-resources development work, and furnish them with appropriate information regarding the scope, nature, status, and results of such survey or investigation.

"(2) Notify the following, severally, in writing of all approvals or disapprovals of applications for planning assistance: the sponsoring organization, the State Governor or Governors concerned, the Secretary of the Interior, the Secretary of the Army, and other Federal agencies concerned.

"(b) The Secretary of the Interior shall notify in writing the State Governor or Governors concerned, the Secretary of Agriculture, The Secretary of the Army, and other Federal agencies concerned of his decision to initiate any survey or field investigation involving water-resources development work, and furnish them with appropriate information regarding the scope, nature, status, and results of such survey or investigation.

"(c) The Secretary of the Army shall notify in writing the State Governor or Governors concerned, the Secretary of Agriculture, the Secretary of the Interior, and other Federal agencies concerned of his decision to initiate any survey or field investigation involving water-resources development work, and furnish them with appropriate information regarding the scope, nature, status, and results of such survey or investigation.

"SEC. 4. *Coordination.* In order to assure the coordination of work authorized under the Act and the related work of other agencies, so that the proper use, conservation, and development of water and related land resources through Federal programs and financial assistance may be achieved in the most orderly, economical, and effective manner.

"(a) The Secretary of Agriculture, before authorizing planning assistance in response to an application from a local organization for assistance under the Act, shall:

"(1) When an application applies to a watershed located in one of the seventeen western reclamation States or Hawaii and it appears that a major objective is the agricultural phases of the conservation, development, utilization, and disposal of water for irrigation purposes, request the views of the Secretary of the Interior concerning the feasibility of achieving equivalent irrigation benefits by means of works of improvement constructed pursuant to the Reclamation Act of June 17, 1902 (43 U.S.C. 391), and acts amendatory or supplementary thereto, or by means of assistance furnished pursuant to the Small Reclamation Projects Act of 1956, as amended (43 U.S.C. 422a-422k), and authorize planning assistance under the Act only after carefully considering whether works of improvement under the Act would be a more appropriate method of achieving that objective.

"(2) When it appears that a major objective of an application is the reduction of flood damages in urban areas (as defined in the most recent census), request the views of the secretary of the Army concerning the feasibility of achieving equivalent urban flood protection benefits by means of works of improvement constructed pursuant to the Flood Control Act of March 1, 1917 (39 Stat. 948), the Flood Control Act of May 15, 1928 (45 Stat. 534), the Flood Control Act of June 22, 1936 (49 Stat. 1570), or acts amendatory or supplementary thereto, and authorize planning assistance under the Act only after carefully considering whether works of improvement under the Act would be a more appropriate method of achieving that objective.

"(3) When an application applies to a watershed located in the Tennessee River drainage basin, request the views of the Board of Directors of the Tennessee Valley Authority concerning the feasibility of achieving the objectives of the application by means of works of improvement for flood control or watershed protection constructed under the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831 et seq.), and authorize planning assistance under the Act only after carefully considering whether works of improvement under the Act would be a more appropriate method of achieving such objectives; and when such planning assistance is authorized, consult with the Tennessee Valley Authority throughout all phases of project development concerning the relationship of works of improvement under the Act to the unified development and regulation of the Tennessee River system.

"(b) The Secretary of the Interior shall, prior to undertaking any survey or field investigation under the Reclamation Act of June 17, 1902 (43 U.S.C. 391), and acts amendatory or supplementary thereto, or prior to initiating investigations after receipt of a Notice of Intent to apply for a loan under the Small Reclamation Projects Act of 1956, as amended (43 U.S.C. 422a-422k), relating to works of improvement wholly within a watershed or subwatershed area of not more than 250,000 acres, request the views of the Secretary of Agriculture concerning the feasibility of achieving the major objectives of the project proposal by means of Federal assistance furnished pursuant to the Act, and submit a report on such a survey or field investigation or approve such application for assistance only after carefully considering whether works of improvement under his authorities would be a more appropriate method of achieving such objectives.

"(c) The Secretary of the Army shall, prior to undertaking any survey or field investigation pursuant to the Flood Control Act of March 1, 1917 (39 Stat. 948), the Flood Control Act of May 15, 1928 (45 Stat. 534), the Flood Control Act of June 22, 1936 (49 Stat. 1570), and acts amendatory or supplementary thereto, relating to works of improvement wholly within a watershed or subwatershed area of not more than 250,000 acres, request the views of the Secretary of Agriculture concerning the feasibility of achieving the major objectives of the project proposal by means of Federal assistance furnished pursuant to the Act, and submit a report on such survey or field investigation only after carefully considering whether works of improvement under his authorities would be a more appropriate method of achieving such objectives.

"(d) The Board of Directors of the Tennessee Valley Authority shall, prior to undertaking any survey or field investigation under the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C. 831 *et seq.*), relating to works of improvement for flood control or watershed protection to be installed wholly within a watershed or subwatershed area of not more than 250,000 acres, request the views of the Secretary of Agriculture concerning the feasibility of achieving the major objectives of the works of improvement for flood control or watershed protection by means of works of improvement constructed under the Act, and proceed with such survey or investigation only after carefully considering whether works of improvement under the Tennessee Valley Authority Act would be a more appropriate method of achieving such objectives.

"(e) Whenever the foregoing provisions of this section require an agency head to request the views of another agency head, such request shall be effected prior to the making of any commitment to local interests, and local interests shall be informed at the outset of negotiations that any plan resulting therefrom is subject to coordination as required by this section.

"(f) When any agency having responsibilities for water resources development is considering the initiation of surveys or field investigations in a watershed or subwatershed area of not more than 250,000 acres and it appears that the purposes to be served by the project under investigation could more advantageously be met by means of a combination of works of improvement under the statutory authority available to that and other agencies, the appropriate agency head shall consider with the other agency heads concerned and the co-operating local interests the feasibility of preparing a jointly developed plan for coordinated action under available statutory authority.

"SEC. 5. *Fish and wildlife development.* Upon receipt of the notice required by section 12 of the Act and section 3(a) (1) of this order, the Secretary of the Interior, as he desires, may make surveys and investigations and prepare a report with recommendations concerning the conservation and development of fish and wildlife resources and participate, under arrangements satisfactory to the Secretary of Agriculture, in the preparation of a plan for works of improvement which will be acceptable to the local organization and the Secretary of Agriculture."

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, January 18, 1961.

Mr. BROWN. Among other things, this executive order states that local protection for urban areas, as defined by the census, will be a responsibility of the Corps of Engineers. The definition of the

census, approximately, is that areas of more than 2,500 population are to be considered as urban areas. So that many of these smaller rural communities are not within that definition and would, by this Executive order, probably, fall in the sphere of this program.

Mr. POAGE. I did not see a community of 2,500 out there.

Mr. INOUE. There is not.

Mr. POAGE. Are there further questions or comments?

(No comment.)

Mr. POAGE. If not, we thank you very much, Mr. Inouye.

Mr. INOUE. Thank you, Mr. Chairman.

(The complete statement of Mr. Inouye is as follows:)

STATEMENT OF HON. DANIEL K. INOUE, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF HAWAII

Mr. Chairman and members of the committee, on June 30 and August 26 of last year, I was privileged to appear before this committee in support of two watershed projects in the State of Hawaii, namely Waianae Nui and Waianae Iki. For that privilege given me, I am deeply grateful. Your committee saw fit to approve the Waianae Nui project but voted to defer action on the Waianae Iki project.

Today, on behalf of the Waianae Iki project, I would like to present for your information, data supplemental to that previously presented for your consideration in the hopes that I may clarify the total impact this project will have both on the agricultural life and projected urbanization of the area involved.

The Waianae community on the leeward side of the island is one of the more important independent agricultural communities on the island of Oahu. It is one of the many natural communities of the island. Some of its autonomy may be attributed to the distance from Honolulu proper, its natural isolation from the rest of the island by the Waianae Mountain Range, and some to its heritage from the old Waianae sugar plantation.

Even though the land use for agricultural purposes is small in extent, it exerts a strong influence on the economy of the area. High value truck, grass, and tropical fruit crops are grown. The Waianae area is so geographically and climatically situated that it is particularly adapted to production of off-season crops such as tomatoes and watermelons. Other crops include papaya, Chinese cabbage, eggplant, cucumber, bell pepper, and broccoli. During the off season, supplies of vegetables are low and prices received by the growers are substantially higher than during the main production season. The growing season is year long and each acre of land is intensively cropped. Crop yields are exceedingly high. Papayas for example begin to bear approximately 1 year after the seed is planted, and bear continuously for at least 2 years. Yields are often in excess of 30,000 pounds per acre per year. Elsewhere the commercial production for the islands is estimated at 1 ton per month. The warm dry Waianae climate is ideal for papaya production, but the loss from flooding as the result of "Kona" storms is severe. The papaya trees will not tolerate waterlogged soils. Wet soil conditions often cause a blossom drop which is reflected later in the loss of fruit production. Water standing around a tree as much as 24 hours may kill it or make it susceptible to attack by soil-fungus disease.

Detailed field data on actual costs and returns are not presently available. Confidential, preliminary data, based on studies conducted by staff members of the Department of Agricultural Economics, University of Hawaii, were utilized as a basis for making projections of costs and returns for papayas. Difficulty was also encountered in obtaining accurate prices received by growers. Prices quoted vary widely due to different conditions and things included in price. Example: One price to growers may include use of field crates while another price will include field crates plus hauling, and a third price will not include either item. The costs and returns in the following economic analysis are be-

lieved to be ultraconservative. For example, preliminary cost-return data for papayas:

Fixed costs, per acre basis

PRODUCTION COSTS

Materials:	
Fertilizer—2½ tons at \$75.....	\$188
Chemicals (pesticides and fungicides).....	80
Machinery costs (gas, oil, repairs, depreciation, and interest on investment).....	75
Miscellaneous (water, taxes, and so forth).....	125
Production labor—205 hours at \$1.....	205
Subtotal.....	653

HARVEST COSTS

	Waianae flood-free, 27,700 pounds aver- age yield	Flooded, 16,600 pounds yield
Labor at 1.2 cents per pound.....	\$332	\$199
Crates at 10 cents rental each.....	55	33
Marketing costs at 0.04 cent per pound.....	110	66
Subtotal.....	497	298
Production costs.....	653	653
Total costs of production.....	1,150	951
Gross income at 0.06 cent per pound.....	1,662	996
Net income.....	512	45

Preliminary tomato cost and return studies in Waianae indicate yields from 16,000 to 20,000 pounds per crop per acre, and approximately two crops per year. Costs of producing and marketing were in excess of \$1,000 per acre per crop. Similar studies of watermelon production indicate similar yields and cost of production. Both of these crops are exceedingly susceptible to flood damage.

Napier grass yields in this area often exceed 150 tons green weight of feed per year. Under Hawaiian conditions, Napier grass is harvested every 6 to 8 weeks. When grazed, a good practice is not to allow the plants to produce coarse, weedy stalks. This usually requires an intensive management program. Floodwaters not only cause damage to the crop, but disrupt the management and forage-supply program for the dairies. Forage growth rates are lower on the waterlogged soils following a flood, and the dairy cattle often acquire liver flukes from grazing on wet land. The flukes weaken the cattle and reduce production. In addition to production loss, the cost of treatment to eliminate the disease is long and costly. This cost was not considered in the economic evaluation.

In planning a watershed, I am informed it is the policy of the Soil Conservation Service not to search for additional benefits where there are enough easily identified benefits to justify a project. Such was the case with Waianae Iki.

Due to the types of crops grown, the intensive cultivation, and small units, much of the work consists of hand labor, most of which is family labor. Family labor, therefore, is of a major significance to the farm operators.

Indirect damages are substantially greater in the Waianae agricultural area than in many mainland locations. This is the result of the loss of family employment opportunities, and the inefficient use of farm machinery on the small acreage when a crop is damaged or destroyed.

When the local market supply for fruits and vegetables is reduced by flood losses, the merchants obtain supplies from other sources. In order to protect themselves for an indefinite period of time while the local growers replant, and to maintain a constant source of supply, the merchants place large mainland orders for future delivery. This weakens the local market considerably. Flood-free conditions will add stability to the local market. No attempt, however, was made to evaluate this benefit.

Interviews with urban dwellers, businessmen, and farm operators of the community conducted by the Soil Conservation Service in Hawaii, established the fact that there is a shifting in population and enterprise following each major

flood. The installation of Waianae Iki project will assist materially in establishing the population and labor force of the community. It is, however, difficult to put a dollar value on the benefits of community stabilization as the result of flood-free conditions.

Proper management and conservation of the available irrigation water will allow certain areas of brushland to be converted to cropland to supplement the cropland now being converted to urban use. No enhancement benefits were claimed.

The Kaupuni Channel and its tributary, the Kawiwi Stream, runs through lands that are primarily agricultural, part of which is undergoing urban development. The Waianae Iki project, if approved, will be of great benefit to the much-needed agricultural pursuits and endeavors of that area while at the same time, admittedly, benefiting that portion projected for urban development. I humbly urge and request your favorable consideration of the Waianae Iki project at this time.

The two Waianae projects were planned concurrently for simultaneous installation. From the standpoint of local and Federal manpower and installation cost saving, as well as community benefits, they should both be approved for construction at the same time.

Mr. POAGE. I believe that completes our schedule for the morning. I want to ask unanimous consent to include a letter by Senator Fong into the record.

(The letter from the Honorable Hiram L. Fong, a U.S. Senator from the State of Hawaii, follows:)

U.S. SENATE,
COMMITTEE ON PUBLIC WORKS,
February 13, 1961.

HON. HAROLD D. COOLEY,
Chairman, Agriculture Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Your attention is called to our previous correspondence relative to two watershed projects on the island of Oahu, Hawaii.

Waianae Nui project was approved by your committee in the last session of Congress. Your committee voted to defer action on the Waianae Iki project on August 29, 1960.

Informally, I have been told that since the Waianae Iki project was approved by the Senate Agriculture Committee in the 86th Congress, there need be no new approval by that body.

The Waianae community, on the leeward side of the island, is one of the more important independent agricultural communities on the island of Oahu. Although the land use for agricultural purposes is small in extent, it exerts strong influence on the economy of the area.

The two Waianae projects were planned concurrently for simultaneous installation. These two projects are adjacent to each other and it would be more economical for both the local and Federal Governments in terms of manpower and installation cost that they be planned and constructed simultaneously.

It is hope, therefore, that the Waianae Iki project can be approved at an early date. If I can be of assistance in this matter, please do not hesitate to call on me.

Thank you.

Sincerely yours,

HIRAM L. FONG.

Mr. POAGE. Senator Cooper will not be able to appear here today, and as previously stated, his statement will be inserted in the record.¹

If there is nothing further, the subcommittee will stand adjourned. (Whereupon, at 11:40 p.m., the subcommittee adjourned.)

¹ See p. 69.

REPORT OF COTTON COUNCIL

MARCH 10, 1961

REPORT OF COTTON COUNCIL

March 10, 1901

REPORT OF COTTON COUNCIL

FRIDAY, MARCH 10, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COTTON,
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 2:35 p.m., pursuant to notice, in room 1310, New House Office Building, Hon. E. C. Gathings (chairman of the subcommittee) presiding.

Present: Representatives Gathings, Abernethy, Hagen, and Teague of California.

Also present: Representatives Jones of Missouri, Stubblefield, Findley, Johnson of Wisconsin, and Reifel.

Christine S. Gallagher, clerk.

Mr. GATHINGS. The subcommittee will come to order.

We are pleased, indeed, to have with us Dr. Macdonald K. Horne, chief economist, National Cotton Council. Each year he has been making available an economic analysis of the cotton situation. He has quite a lot of valuable information to present today, in slides, pictures, and the spoken word. All of us can enter into any discussion regarding the subject matter. The charts and data Dr. Horne supplies will be made available to each individual member who would like them.

Dr. Horne, we will turn it over to you.

STATEMENT OF DR. MACDONALD K. HORNE, CHIEF ECONOMIST, NATIONAL COTTON COUNCIL, MEMPHIS, TENN.

Dr. HORNE. Thank you. Mr. Chairman and members of the committee and gentlemen.

My name is M. K. Horne, Jr., Memphis, and I am chief economist of the National Cotton Council of America.

I appreciate very much, indeed, the privilege of appearing here to discuss with you the markets for U.S. cotton, the economic outlook of cotton's markets.

This is, as you know very well, a big and complicated subject. And I will try to present what seems at this time to be the most important and urgent highlights of it. I will move just as quickly as I can to do this.

We will just begin with a look at the carryover for grain and the basis of comparison with cotton. Let us look first at grain.

(Chart.) This is wheat and feed grains combined. We have here the record for the period since the Korean war. The grain carryover rose steadily, you see, from 28 million tons, in 1952, to a projected

128 million next summer. I do not claim to know anything about grain. I just give you this background for comparison with cotton.

(Chart). And here is the first carryover of cotton for the same 10 years. The red is grain in millions of tons and the blue is the cotton in millions of bales.

And you will notice the great contrast there between the first half and the latter half of this latest decade. Down to 1956, the cotton carryover was rising a lot faster percentagewise than the grain.

But now cotton, you see, is in the fifth straight year of a sharp downward trend in the carryover. And this is explained partly by production controls which have been effective, but, also, in part, a very great part, by a genuinely expanding cotton market.

So let us go into an analysis of the expanding markets for U.S. cotton.

(Chart.) As you know, the total offtake, or the total of the market, consists of two relative parts. First, the consumption of cotton on the domestic spinning mills. This is each season, from 1952-53 to the current one, 1960-61. And for season, I just show here the actual rate of consumption of cotton on the spinning mills of this country for the first 6 months, August through January.

It was at a rate, seasonally adjusted, of 8.2 million bales a year.

(Chart.) Over this with red bars [indicating] I show you the other part of our market, the exports. Look at the growth trend that we have here in exports. It averaged only 3.1 million bales a year in these 4 years, and the most recent 4 years, even including 1 bad export year, the average was 5.8 million bales. It was 7.2 million last year. And for this season, with the payment-in-kind sales, has already reached 5.8 million. And right here showing an estimate of 6.8 for this current season. It could be more or less than that. I will discuss it later.

(Chart.) If we just look at the whole picture, we see a great improvement in the total markets, across these years, something like that. Here is a big mechanized commodity with a market that is expanding at a very encouraging rate.

This expansion is, obviously, all in the export part. We will come to that in a minute, but if you will look just at the domestic market, the blue bars, we do not see any expansion. We have to face it; there is a mild downward trend in that domestic market.

So let us go into an analysis of the domestic market first.

More than many people realize, the trend of the domestic mill consumption today is affected by the imports of cotton products, manufactured abroad and imported into this country. This subject of imports is no longer a small thing.

(Chart.) Today it is a very big thing. These bars give you, first, the record of the cotton which was used in manufacturing the cloth and yarn imported into this country in recent years. We thought 1959 was awfully big. It was an alltime high, by far. But now the record has just been completed for 1960, and it more than doubled, came to 346,000 bales of cotton just in this part of the import picture.

These figures include the cotton imported in the guise of pickle lap. That amounted to 7,000 bales in 1959, and to about 44,000 bales in 1960.

(Chart.) On top of this, we have to add the cotton which was imported in the form of clothing and other end products. Including this, the total imports into this country in 1960 of cotton and in manufactured form amounted to 576,000 bales. Just look at the size of that and then look at the trend. It is clearly an accelerating trend. That is what disturbs us most.

So far as the economics of that picture is concerned, there just is no end in sight to that upward surge of imports.

Of course, some of these imported products are made out of U.S. cotton that has been exported, but more and more the countries which are exporting to us tend to be of the underdeveloped countries of the world which are rapidly building up their textile industries and which even grow their own cotton or have it close at hand in nearby countries which do.

(Chart.) Now, we have to think, also, of the cotton which is spun in our domestic mills, but is exported from this country and is finally consumed abroad. Here is how our manufactured exports have trended in recent years: down from the equivalent of 700,000 bales in 1952, to a little under 500,000 bales last year.

(Chart.) Over this I will place the red line, the imports of cotton, in manufactured form, I have already shown you. If you look at these two things together, you have enough market loss to explain why our mills' consumption has trended downward across this period of years.

In 1952, our exports exceeded our imports by 636,000 bales. Last year, for the first time, the imports exceeded the exports by 80,000 bales. And for the first time in generations, the markets served by the American cotton spinning industry is less than the market made up of the American people alone.

(Chart.) Here again expressed another way is the cotton consumed by our spinning mills across these same years, 1952 to 1960. The trend, you see, is downward.

(Chart.) Right over this I will show you what I call U.S. consumption by the users. That is the mill consumption of the raw cotton corrected for the imports and exports of manufactured cotton. This is the cotton made available by the consumption of the American people themselves.

Notice that red line. It was lower back here [indicating], you see; it was higher in 1960.

Let us take off the consumption by the mills and just look at the cotton consumption by the American people.

(Chart.) Now you see the downward trend is completely wrong. The final consumer, the people themselves that buy cotton products at retail, are not using less cotton in this country. But then, we have to go on and ask, with the rising population and the improved standard of living, why are not the American people consuming more cotton than in years past?

And here the answer has to be that we are having competitive losses to somebody.

(Chart.) Who are our competitors? Here is a checklist of some big ones. There are hundreds of important subtypes here, different prices and qualities. We compete for more than 400 important end use markets. In that great range of uses there are many places

where we are locked in close competitive struggles with one or another of these materials.

How do they compete with us?

(Chart.) The weapons of competition are just about always these four here: research, improved quality, and lower cost; sales promotion of the products; the price of the material, and the dependability of the supply. I will emphasize this considerably.

With a fiber like cotton which is subject to the weather and to great sudden changes in export volume, it is hard to maintain a product that is as dependable as these things that come out of big, modern industrial plants. To be competitive with these, by making our customers confident that they can get the precise quality they want just when they want it, we need a larger normal carryover today than we used to need. We kid ourselves if we just think about price alone. Price is a vital part of this big picture, and we have to see it all together. Price takes on meaning when we relate it to the quality of the fiber and to the promotion put behind it, and to the customer's confidence in the dependable supply.

Recently, we have had the announcement of a support price which means a higher market price next season. I should not go into all of the implications of this and do not intend to. I could not in the brief time, if I tried. Many things are involved in this: the farmer's income, the export program, as well as the effect on the domestic consumption, and no one will ever be able to isolate and measure just how much market we will gain or lose because of a 3- or 4-cent change in the price.

The main effect of a price change is in the decision of manufacturers to shift from one raw material to another, and most of these shifts do not come quickly. The manufacturer has to overcome many technical and marketing problems before he can change his raw material.

The shifts resulting from a 3- or 4-cent price change will be spread out over 2 or 3 years, and more, and no man can project them accurately. But anyone who studies this whole competitive situation will have to say that an increase of several cents a pound will substantially weaken the trend of cotton consumption; that is, on the domestic market.

(Chart.) Finally, for the domestic market we will look at the record over the same period of years in this way: These little dots show the mills' consumption of cotton seasonally adjusted for every single month of this same period.

(Chart.) And here is a straight line for the trend. This brings out the way that mill consumption moves in cycles, you see—cycles—up and down. We are in a down cycle now.

January, the latest dot, we were at a rate less than 8 million bales a year. It is normal to expect that some time over in the future, perhaps, next season, the cycle will swing strongly upward again.

Unfortunately, however, the next upswing of the cycle is sure to be held back very seriously, indeed, by another surge of manufactured cotton imports unless protective action is taken against them.

You see, these imports have gotten to be big enough in volume, they can squelch the revival of cotton from this recession it is in now. And the higher domestic price will tend to make our competitors get a larger share of the market.

As I have said, this kind of competitive loss is not something which occurs mainly within the short period of one season.

Whatever the short-term prospects are of our domestic markets, we must look on through these cycles and face the fact that the long trend here, you see, is already downward. In a growing economy—in a growing economy—cotton consumption is trending downward.

Can we level this trend out and turn it upward?

(Chart.) The answer depends on what is done to check the imports of manufactured cotton products and on what is done to improve the total competitive position of cotton against many other materials through the combined effects of research, promotion, price, and dependable supply.

We do not want our market to keep on declining. We have to bring about some radical improvements. That is just the size of it for the domestic market.

(Chart.) The export picture is quite the contrary. Here is the first chart that I show you. Exports, you remember, are the red bars at the top. Here is where we have had the growth and it is some growth. In a year like this one, or this one, our cotton exports earned around a billion dollars of foreign exchange, and they provided a welcome and much needed source of strength for the dollars.

It has been 50 years, Mr. Chairman, since our country had so much reason to appreciate a big export commodity. Obviously, it is something of great importance to us as to what has happened between this period here of low exports and this period of greatly improved exports, and we want to understand it very thoroughly.

Let us go right into the fundamental things that are involved here.

(Chart.) First, the consumption of cotton abroad: this blue curve is the consumption at the spinning level in all of the countries of the foreign free world, with an addition for the net exports to Communist countries, which is relatively small in amount. This covers the whole period of time, almost the whole period since World War II.

Now, look at that great record of expansion across there. You see the powerful upward trend of foreign consumption, and you, also, see the short-term swings, especially this big textile recession that was so general in the world in 1958.

The estimate for the present season is about 24 million bales. I do not have this, of course, complete yet, but I will indicate the 24 million bales in this way.

This consumption picture takes on its real meaning to us when we compare it with the cotton produced in the same foreign free world.

(Chart.) Here we have production, season by season, in the red line. Our cotton exports are basically determined by this spread between foreign consumption and production. Except for the changes in the raw cotton stocks from season to season, our exports have to be equal to this difference between foreign consumption and production.

We had a long period of years when that vital spread was being squeezed, you see, smaller and smaller. Our exports were low and we were being pushed almost out of the export market.

Now, in recent years the situation has reversed. The trend—I am putting on some trend lines now.

(Chart.) Consumption and production have been about as you see them in these two black lines here. Consumption is continuing its strong growth but foreign products, instead of really headlong growth it had back here, has slowed down to a rather modest pace in recent years.

The spread between these two things, you see, is clearly widening, and thus in the fundamental trends that are going on here we have the genuine promise of an export market that will continue to trend upward through the years. We will have some bad years, for sure, but never another textile recession, or when the weather causes production abroad to go above normal, but the trend through the years is now upward for our exports.

And what are the underlying forces that are causing foreign consumption to increase faster than foreign production?

(Chart.) Here are the main ones: Rapidly rising population; economic growth abroad, which means rising demand for commodities and rising competition for the resources to produce them; sales promotion of cotton clothing and other cotton products now being conducted in countries with four-fifths of all of the cotton spindles in the free world. And these are programs patterned on our own in the United States and you know those connected with the Public Law 480 money, with these wonderful sales promotion programs and price.

Price is absolutely crucial to the whole story of why our exports are rising.

(Chart.) On this chart here I have a red curve which gives an approximation of the trend in the world price level across this same period of years. This is just an approximation. Nobody can do this precisely. But over that trend in the world price I will give you a black curve (chart) of the same thing for the price at which U.S. Middling cotton has been available for export. The red is the world price, and the black is the U.S. export price.

You see, there have been two periods when the world price broke away from the U.S. export price, here and here. But if we look into these we find they are really just exceptions which prove the rule: that so long as we have large stocks in this country, the U.S. export price tends to be the leading influence upon the world price. This has been recognized for as long as people have been talking about it, the umbrella that we hold over the world price.

The world price did come down back here, while the umbrella stayed up, and people started to realizing back here the United States was heading toward a 14.5 million bale carryover this season, and they started to realize that the umbrella would have to come down; and that is why they started rushing for cover, rushing to unload stocks before the umbrella came down.

(Chart.) What happened in 1959? Well, let me put just a little back on here, just a little piece of consumption and production picture that I showed you earlier for the foreign free world.

In 1958 foreign spinning mills consumption took that sharp decline with the recession that I mentioned. Foreign production rose a little, mainly because of favorable weather.

And with consumption down, and production up, our exports were squeezed way down. And as a consequence, it was recognized again

that the United States was going to lower its export price, and for that reason foreign sellers returned again to sell and the buyers, for that same reason, were not very eager to buy, so that caused a precipitous drop in anticipation of our action.

(Chart.) Then last season foreign consumption had this sharp recovery here. Mexico, whose planting dates, for this reason back in this period here, had sharply reduced its acreage because of the lower prices it had encountered in this period. Foreign production of the whole was down, foreign consumption was up, with this relative spread between them. It rose to a good 7 million bales, and we had our greatest export year—7.2 million.

(Chart.) For this same reason, foreign production is up, the consumption remains strong this season, the spread between them is a little narrower than last season, but India is expected to add considerably to its stocks this season, so that the best estimate still looks like 6.8 million bales, plus several hundred thousand.

All through this analysis, the most important message is this: The U.S. export price is the real price leader which has influenced the general level of the world price. And under that influence the world price has come down to a decidedly lower level. And in that situation foreign demand has increased faster than foreign supply, causing our exports to trend upward.

As for the foreign demand, the foremost question almost is, "How is cotton doing against rayon in the foreign world?"

(Chart.) To answer that, let us just go and see here the same record of the world price across these years. The International Cotton Advisory Committee has some good figures on the consumption of cotton and of other fibers in the foreign free world, and let me just show you (chart) the consumption of rayon staple, expressed as a percentage of the consumption of cotton in the foreign free world. This is by calendar years.

In 1952, the rayon staple consumption was 13 percent as big as cotton consumption.

Four years later, in 1956, rayon was up to 21 percent as big as cotton consumption, in the whole foreign free world. Rayon was gaining on cotton at a tremendous rate.

The cotton price, you see, was relatively high. It started down in here, but as I have already said in reference to the domestic market, it takes a year or two or three or more for a price change to have much effect, or I should say its full effect upon the selection of one fiber against another.

What about these later years as we begin really betting the effect of a lower price of cotton in the foreign world?

(Chart.) The ICAC has the record through 1959, and here it is: In the period of lower cotton prices abroad, rayon's gains upon cotton have just come to an impressive and dramatic point. I do not see how we could ask for sharper evidence that the lower price has had a most important effect upon cotton's competitive position with rayon in the foreign world and, thus, upon the amount of cotton consumed abroad.

What about the production of cotton? That is, in the foreign free world.

(Chart.) It is always interesting to look back at the whole period since World War II. The best indicator of that, of the world price level across that whole time, that we have is the price that is available to exports. As a general thing, the world price tends to stay pretty close to our export price. But in this Korean war period here, when we just about ran out of stocks and restricted our exports, the foreign prices, of course, cut loose from ours and went through the ceiling. Anyway, we do see here that the world price is relatively high across this whole period here. It has been much lower in these recent years.

And what about the acreage now? The acreage of cotton that has been planted in the foreign free world?

(Chart.) Here is the answer. And, gentlemen, just read the meaning of that heavy red line there. Across the whole era of high prices the foreign acreage rose steeply from 27 million to 46 million acres—27 to 46 million in a brief span of 8 years. And what has happened in the 5 seasons since 1955-56? In the aggregate, this foreign acreage has not increased one acre, you see. Just look at that, level. Some increases in yields, some shifts among countries, but the overall trend of plantings has just stopped rising altogether.

We, certainly, have evidence, gentlemen, by now that our long-range export outlook has has a major turn for the better.

(Chart.) That the world price is absolutely essential to that improved outlook, and that the U.S. export price is a crucial factor in holding the world price down to these levels is quite evident.

We therefore need to be very concerned with anything that might turn the world price sharply upwards. And there are three things, any one of which could have a decisive effect.

(Chart.) Essentially, the export price of cotton is the domestic price, minus the export subsidy. Both of these things together, these two things together, determine the export price. A change in one, without a corresponding change in the other, would, certainly, alter the export price.

We have had the announcement of price supports for next season at slightly more than 33 cents for middling inch cotton—33.04 cents, plus or minus relatively small changes that could result from shifts in quality differences during the next 2 months, following the determination of the support level. And coupled with the support of 33.04 was the announcement of initial export subsidy of 8.5 cents beginning next August 1 compared with 6 cents this season.

The principle that these two things are vitally interrelated was recognized. I would rather not get into speculation about what these particular figures in these announcements are going to mean to next season's export price. Nobody knows for sure. It must be watched most carefully in the months ahead, the season ahead, and the years ahead.

The third way that the world price might be turned upward with fatal effect upon our export outlook would be through a shortage in the world supply of cotton. Our export price, as we have seen, cannot always hold the world price down unless we have adequate stocks for any demand that develops.

Therefore, let us look quickly at the world stock situation.

(Chart.) Here are the August 1 stocks of raw cotton in the foreign free world for the whole period from 1946 up to 1960. This is ex-

pressed in relation to the volume of business that these stocks have to accommodate. This is in months of free foreign off-take. This looks low here, 5 months of stocks for Europe and Japan and all of the other countries in the foreign free world, but the truth is that they have grown accustomed to the idea there is one other place where they can always get more cotton, if they need it, the United States.

So let us add our own stocks for August 1 each year to this.

(Chart.) And here it is, the blue. Since we are talking now about supplies available to foreign countries, we have expressed this, also, in months of free foreign off-take. Here is the sum of the whole thing: Last August 1 it was at the lowest level, you see, of the whole postwar period except in 1951 when the world price went to 80 cents.

If anybody thinks there is a surplus of cotton today in this country or in the world, let him ponder this picture here.

When we talk about increasing cotton production in this country today we are not talking about growing it to be piled up in Government stocks. We are talking about growing it to supply an expanding market and to avoid a shortage that could destroy our markets.

And just this final word on the subject of acreage.

(Chart.) Here is a trend in the acres harvested by the free foreign world from 1952-53 to the present crop year. And over this for comparison (chart) the same trend for the United States. I begin them together at the 100 point in 1952 and 1960 to compare their trends.

Across the first 6 years foreign acreage rose and then leveled out. But across those same years U.S. acreage went down and down and down.

It was cut into less than half. Now, something quite new and unusual is beginning to happen. We are gaining back just a little of our whole share of the world acreage. With an increase last season, a little increase this season and for next season, the total allotments will permit some further overall increase.

But when we look at it this way, it certainly seems that for U.S. growers entitled to some more increase in the future. But the total market is growing. It can keep on growing.

(Chart.) But underlying this picture is a Government subsidy, an export subsidy. We depend vitally upon it.

What kind of future does this make for the cotton farmer, for the cottongrower, for cotton? We have to remember that our competitors, including foreign cotton, are improving their methods of production and that abroad they have a vast advantage in cheap labor. If our main answer is to be a subsidy, we will have to rely more and more heavily through the years upon a subsidy system.

Is there any other answer? None that I see except long range. There is only the long-range answer.

(Chart.) There is only the long-range answer of research and promotion to make our markets expand and our costs come down. We have a fiber that responds wonderfully to both. Our great hopes for the future for minimizing the labor input is by drawing the cotton into the arena of technology where we, certainly, can lead the cottongrowing free world.

Mr. Chairman, I thank you for your patience. [Applause.]

Mr. GATHINGS. Thank you very much.

(Dr. Horne's prepared statement follows:)

THE ECONOMIC OUTLOOK

(By M. K. Horne, Jr., chief economist, National Cotton Council of America)

(A report prepared for presentation before joint meeting of the council's program committees on January 27, 1961, and before its delegate membership on January 30, 1961.)

In understanding where cotton is today, it seems helpful to begin with one quick look at a bigger part of American agriculture. Here we have the carryover of grain in this country for the period since the Korean war. It begins with the carryover in the summer of 1952. Here is last summer, and here is the projection for the summer of 1961. This is the total for wheat and for all the feed grains combined. What is around a third of the total, both at the beginning and at the end; feed grain about two-thirds.

There has not been one single year in this whole period when our Nation's stock of grain did not go up. We have been producing more than we were selling year after year. The total rises here from 28 million tons to 128 million, for an increase of 100 million tons in 9 years.

Without professing to know anything about grain economics, I believe I am safely understating the situation when I say that our Nation has a problem here—an unsolved problem.

This is background for a comparable picture of the August 1 carryover of cotton across the same period of years. Cotton is the blue line. The grain figures are expressed in millions of tons, and here is the scale for grain in these red figures on the right. The cotton figures are in millions of bales, and the blue scale on the left is for cotton.

What a contrast this is. We might look first at the earlier part of the period, from 1952 to 1956. Across these years cotton stocks were piling up terrifically—faster, percentagewise, than grain. The carryover reached 14.5 million bales in 1956.

But now we are in the fifth straight year of a generally downward trend in the carryover of cotton. Including the early season ginnings and the long-staple, it was down to about 7½ million bales last August 1. The present outlook is for another substantial reduction this season. When we realize that this figure here include the only important buffer stock of cotton in the entire world, it is becoming less and less realistic to talk about our supply of cotton as containing any surplus at all.

Grain naturally tends to overshadow cotton in the impression it makes upon the public mind. Grain is grown in every State and on three-fifths of all the cropland in this country—well over 12 times as much cropland as cotton. But the grain story is not the cotton story. In the last four seasons we have sold 7 million more bales of cotton than we produced, and the carryover is still headed downward.

This has been achieved in part by cutting back production effectively, but it has also been achieved in part—a very big and important part—by expanding the total market for U.S. cotton.

This is our subject here. We go now into an analysis of the latest information on the expanding market.

First, a summary of the offtake for this same period of time since the Korean war, the crop years from 1952-53 to the present, 1960-61. Here is the familiar picture of consumption by the domestic spinning mills. Consumption reached 9 million bales last season. For the current season, because of imports and the recession, consumption is down. I am not forecasting at all, but am just reporting here the actual rate of mill consumption for the first 5 months, August through December. With seasonal adjustment, this figures to an annual rate of 8¼ million bales.

And over this, in red, we show you the exports of raw cotton. In this period, 1952-56, our exports averaged only 3.1 million bales a year, the lowest 4-year peacetime record in nearly a century. But in these next four seasons, we had the highest average exports in a generation. Even with one bad season, it averaged 5.8 million bales a year; 7.2 million bales last season. And now the Council's Foreign Trade Division, in its analysis of the outlook for the current season, makes a tentative projection of 6.8 million bales of exports.

This would bring our total offtake for the season just a little above 15 million bales, compared with 16.2 last season. The total offtake averaged only 12.1 million bales in the earlier 4-year period. It was up to an average of 14.4 million in this latest period of 4 years. For the present season, both consumption and exports are subject to a considerable margin of error; but if the total winds up at 15 million, we shall have had an average offtake of 15.6 million bales in the latest two seasons. Here is an agricultural commodity with a market that is growing at a very impressive rate.

This growth, thus far, is in the export market, and we shall come to that in a few minutes. First, however, an examination of the domestic market, as shown by the blue bars on this chart.

Now instead of these blue bars, I will show you the same thing, domestic mill consumption, with this blue line here. This covers about the same period, but this time we have it on a calendar year basis, from 1952 through the year just past, 1960.

If we look across this latest decade, it is hard to deny that there is a slight downward trend in the U.S. mill consumption of cotton. Using the ordinary statistical method, we get a trend line like this. It is clearly downward.

The interesting thing is to ask why. Since the economy is expanding, it is obvious that we have been having competitive losses to somebody. I can summarize it this way: If across these years cotton had held the same percentage or share of all the end-use markets that it serves, and if the imports and exports of cotton products had not changed, the mill consumption of cotton in calendar 1960 would have been, not 8.7 million bales as you see it here, but 10.1 million and the trend line would be something like this. The domestic market that we serve is an expanding market. It has expanded more than 16 percent in the past 8 years.

Why are we here instead of here? How can we describe the competitive losses that make up the difference?

As you know the Cotton Council's market research staff has measured all of our main end-use markets very carefully for many years. These figures are based on the material used at the point where the cloth is made up into its end-use form. Market Research estimates how much cotton holds of each end use, and how much our competitors hold—rayon, the synthetics, paper, and so on. Summing up a great amount of complicated statistics in just a few figures, we have this result. Here we show the first half of this recent 8-year period, 1952 to 1956. In the industrial uses, if we had held just the same share of each market in 1956 as in 1952, the consumption of cotton would have been 413,000 bales greater. Our share declined to that extent. The total market for textile household articles expanded rapidly. Cotton consumption in the household uses increased also, but competing materials increased faster and our share declined to the extent of 232,000 bales. In the rapidly expanding market for apparel, however, we not only held our own but gained against our competitors, so that even our share of this growing market increased by 192,000 bales. Subtracting this from this and this, we find that in the domestic market, measured at the point of end-use manufacture, cotton failed to keep up with the overall expansion by 453,000 bales.

Now another reason why mill consumption of cotton has failed to keep up with the expanding American market is that more cotton products are imported, and fewer are exported. Across these 4 years, 1952-56, the imports of cotton cloth, clothing, etc., increased by the equivalent of 157,000 bales, and the cotton products manufactured here and consumed abroad decreased by 174,000.

We are taking the latest 8-year period in two halves. Now the second half, 1956 to 1960. You see the detail here. In sum effect, we did better against all our domestic competitors in the latest 4 years than in the earlier 4. An overall competitive loss of 272,000 bales this time.

But what about the imports and exports? Across the latest 4 years, the imports had a net increase of 354,000 bales, twice as much as back here. Exports declined, but less steeply. In the latest years our net losses to competing materials have become smaller, but the losses in manufactured imports and exports have become greater. The most striking thing, it seems to me, is that in these latest 4 years the rise of manufactured imports has become the No. 1 reason why mill consumption of cotton has not kept up. A competitive loss of 354,000 bales here, compared with a net of 272,000 against all the materials that compete with cotton in the domestic manufacture of our end products. And we'll see later that this loss to imports has been accelerating year by year. Of course some of the imported cotton products are made abroad

from American cotton, but we are talking here about the increases, and it appears that by far the major part of this increase in recent years represents cotton grown abroad.

Let's look more specifically at cotton's competitors on the domestic market. To jog our memory here is just a checklist of some of the main ones. In the Cotton Council it is our business to keep tab on all of them. I'll just pick out the three which seem most interesting at this particular time, and they are rayon, the noncellulosics, and manufactured imports.

With rayon, long our No. 1 competitor, the big story is that it has troubles today—lots of troubles. Both in 1960 and the year before, the percentage of rayon staple used on the cotton spinning system declined quite markedly. The filament yarn is in deep trouble also. Rayon, like cotton, has many markets and many competitors. Perhaps I can give the highlights of rayon's troubles this way. It is being whipsawed by three major groups of competitors: cotton, the noncellulosic fibers, and imports of the raw rayon staple. In this competition rayon has been knocked back by wash-and-wear or easy care fabrics, by the requirement of fiber identification to the consuming public, by the knock-down-drag-out fight with nylon for the tire cord market, and by price. The declining price of cotton has hurt rayon. Imported rayon staple has put severe price pressure on the domestic producers. Late in 1959 the price of rayon staple was 33 cents. Now it is somewhere around 27½ cents. This steep decline does not seem to reflect the kind of long-range price policy with which rayon hurt us so much in years past. It looks more like distress pricing by an industry desperately to hang on.

Rayon has its troubles, but we most certainly are not counting it out. We need to keep a keen watch on the industry's efforts to launch improved types of rayon. It has a lot of idle capacity today. If the industry could really stabilize its price for the long pull around the present level (I doubt that it can) or if the price of cotton should rise very much, we would have new trouble from rayon.

We are having a lot more of it right now from the noncellulosics. This cumbersome word is the clearest one that we have to refer to the manmade fibers other than rayon and acetate. This means Dacron, Orlon, Acrilan, nylon, Fiberglas, and so on. In terms of clearly defined threats to cotton, these fibers as a group are now No. 1 among all the materials that compete with us on the domestic market.

There is no expansion going on now in the domestic capacity to produce rayon, but look at this. In the past 2 years enough new plant was constructed to produce an amount of these fibers equal to more than a million bales of cotton, and for the next 2 years the projected increase equals more than 1½ million bales. For a long time there was only one company making real headway with the noncellulosics; then there were two; now, in the past several years, four or five other big companies have got into production on a serious scale. Many new, strange words like Kodol, Vycron, Fortrel, are lining up for admission to the housewife's vocabulary. The whole nature of the market changes as they begin giving one another some competition. It has also changed in another way. In years past these fibers were thought of mainly as competitors of wool and silk—but this is six times all the wool and silk used in this country today. It gets clearer and clearer that if these people are going anywhere with all this new fiber, they have to go mainly into cotton's markets. We doubt very seriously that they can sell this much any time soon. They are learning about idle capacity, too. But here's the challenge.

Our market research people find these fibers digging at our markets in various ways, but the most serious thing right now is the battle of the blends—blends especially of the polyesters with cotton—against treated all-cottons, for the great and growing easy-care market. As competition quickens, the synthetic people are coming down from 75 or 65 to 50 percent synthetic and 50 percent cotton in the blends. This arithmetic is not good for cotton, it is bad for cotton, because it strengthens the chance of a blend to take an all-cotton market. With 50-50 blends cotton's price advantage is reduced, and a little more of cotton's quality is found here as well as here.

The basic weapons of this battle are these four: promotion, quality, price, dependable supply—the prices of these fibers are still generally above 90 cents or a dollar a pound, but the price competition between cotton and these things is becoming more intense all the time. Price has no meaning when it stands alone. It gets its meaning when we relate it to the quality of the fiber, the promotion put behind it, and the dependability of the supply—whether the mill can count on

getting just the quality it wants, just when it wants it—not some of the time but all of the time. When we put the thing in this context, price is important, and each of these other things is important. The synthetics generally go farther, pound for pound, than cotton. Recent price changes in these fibers have been mixed, but the main trend seems likely to be downward in future years. The price of one new polyester was reduced last year from \$1.26 to \$1 a pound. The shift to 50-50 blends narrows the price difference further.

We have to fight back on all of these fronts. The Agricultural Act of 1958 gives cotton a better chance to be competitive here (dependable supply) by the adoption of a new carryover policy to give insurance of more adequate and dependable supply. The old concept of 4 million bales, more or less, as an adequate carryover provision goes back to the days when we didn't have this kind of competition.

Third and finally for the domestic market, an up-to-date look at textile imports. These black bars measure the amount of raw cotton required to make the cloth and yarn imported each year from 1952 through the latest calendar year. This estimate for 1960 is based on the actual statistics for the first 11 months. Our case before the Tariff Commission last spring was based on the figures through 1959. Now look at 1960. The 1959 record was the alltime high, by far. In 1960 it more than doubled, reaching 340,000 bales. I will set off at the top of this bar the portion accounted for by yarn imports. And I have also included picker lap here—this much—37,100 bales imported in the form of yarn, 49,000 bales in the form of picker lap. In both cases we have the record through November, and we assumed, very conservatively, that December was at the same rate as the average of October and November. In the previous year the imports of both yarn and picker lap were so relatively small that they would scarcely show on this chart. Practically all of this and this is net increase over 1959.

And on top of the cloth, yarn, and picker lap we show you in red the cotton that it took to manufacture the imports of clothing and other end products. Here we have figures for 10 months, and we assumed that November and December were the same as October. The grand total comes to 579,000 bales of cotton that were imported last year in manufactured form. The increase over 1959 was 219,000 bales. The worst thing is that no end is in sight. Not only is the trend upward, the upward rate is accelerating.

Here we have the imports by quarters, beginning with the first quarter of 1959. We have each quarter multiplied by four, so as to give the corresponding annual rate. The abrupt rate of increase was completely unchecked through the second quarter of 1960. There was this mild letoff in the third quarter. Here we have a rough estimate for the fourth quarter, which is based on complete figures for October and partial figures for November. This appears to reflect mainly the textile recession, with the sharp decline in cloth prices, in this country, at a time when textile business continued strong in most other countries. The rate of imports is bound to be influenced to some extent by strength or weakness in the domestic market. I suppose the most notable thing is that even with this decline, the rate of imports was still about 500,000 bales a year. This cyclical decline offers no real encouragement at all about the basic trend. It is still strongly upward with no end in sight.

We should note the trend across these years in the exports of cotton products. Some of the cotton spun in our mills is finally consumed abroad. This came down from 700,000 bales in 1952 to just over 500,000 last year. This estimate is based on Department of Agriculture figures for the first 10 months. Cloth exports declined, but end products increased a little more.

And over this in red, the imports of cotton in manufactured form. As recently as 1952 the exports exceeded imports by 636,000 bales. Just 2 years back, in 1958, we still exported 287,000 more bales than we imported in manufactures. In 1960, for the first time, the imports rose above the exports. We imported perhaps 75,000 more bales than we exported in manufactured form. The market served by the American cotton spinning industry was less than the market made up of the American people alone. This is the No. 1 reason why mill consumption has trended downward, not upward, in these latest years.

I showed you earlier this blue line for U.S. mill consumption of cotton, with its downward trend. Right over I'll place a red line, which is mill consumption adjusted for the cotton in our manufactured exports and imports. The red line is the cotton products made available to the American people alone. Back here it was less than mill consumption; in 1960 for the first time it became more.

In calendar 1960, when mill consumption dropped, the red line held strong. If you look at the cotton products made available to final users at the top of the cycle back here in 1955 and 1956, and again in 1959 and 1960, you get an indication that the trend is not down, but up. Even now the tendency is for the American people themselves to consume more cotton, not less.

The strength of our consumption trend is in cotton clothing and homefurnishings, as shown by this green line. These are our market research figures, measured at the fabricating level, and they were down somewhat last year. But the trend is upward, as we show it here. It rises more sharply in clothing alone, but it rises very well in clothing and household uses combined. This, you see, is about fourth-fifths of our domestic market today. The rest is industrial uses, and even here the rate of our losses in recent years has declined. If we can check these slow losses in the industrial field, and check the rapidly rising imports, we can make this the dominant trend of our domestic market, and see it begin to rise by at least a quarter of a million bales a year, on average—a modest goal in a country with so much economic growth.

And with that we'll turn back to the other part of our market, the part where changes come faster and are even bigger—our raw cotton exports. Notice again the red portion of each bar, representing exports. The total market for U.S. cotton has begun showing a tremendous upward trend, and the rise is in exports.

These cotton exports earn a lot of foreign exchange, and it has been 50 years since our country had so much reason to appreciate an export commodity that can do that. In a year like 1959-60, our cotton exports earned around a billion dollars of foreign exchange and provided a welcome source of strength to the dollar.

Obviously something of great importance has happened to our exports in the decade just past, and we want to understand it very thoroughly. To do this we go back to the fundamental things that determine our exports.

First the consumption of cotton abroad. One year ago I showed you this chart right here. This blue line represents the total consumption of cotton at the spinning level in all the countries of the free world, with an addition for the net exports of cotton to the Communist countries. It covers the long period of years beginning with the season of 1947-48. We see this long, wonderful upward trend of consumption abroad, and we see too the short-term fluctuations that occurred. A year ago we stood at a very critical point, because immediately behind us was this tremendous letoff in foreign consumption. Did this mean that the strong upward trend of foreign consumption had run out of steam? If so, there could not have been worse news for U.S. cotton exports. Or was this downturn here just a temporary thing, resulting from the deepest and most general foreign textile recession of the postwar period? The fundamental facts of the world economy supported the belief that this was mainly a temporary recession, and that even then the long upward trend was being reaffirmed by a sharp recovery. We showed you this dot right here, representing our Foreign Trade Division's estimate of the foreign offtake for the season of 1959-60.

Now that season is in the record, and the trend of the foreign offtake went about like this: For the current season of 1960-61, in which we are midway now, the same estimate is for an offtake at about this level, 24 million bales. It compares, for example, with about 20 million 5 years ago—an average increase of 800,000 a year. The most likely prospect for the future is that the textile cycle abroad will continue to cause big fluctuations from year to year, and that our exports in any given year will be greatly affected thereby, but that looking on through these cycles there will continue to be a strong upward trend, perhaps like this.

And what about foreign production? Here is the answer—the bales of cotton produced in this same free, foreign world. The year-to-year fluctuations in this recent period are caused largely by the weather and by the ups and downs of acreage in Mexico and central America. The upward trend in the last 5 or 6 years has been a mild one indeed, and very clearly the spread between free foreign consumption and production has been widening. This is the key to our sharply rising exports. Across the years, as this spread widens, our exports have to increase just as much.

And what are the underlying forces that have been causing foreign consumption to increase faster than production? The biggest things are these: Rapidly rising population; economic growth, which means rising demand for commodities and rising competition for the resources with which to produce them; pro-

motion. In this meeting, you will hear the tremendous story of how sales-promotion programs, patterned on our own in the United States, have been taking hold in the greater part of the entire foreign free world. And price—this is absolutely crucial to the whole story of why our exports have risen. A touchy subject, but we couldn't understand anything about the great expansion of our exports if we did not go into it.

How do you set about to study the behavior of this thing which is so easily referred to as the world price? There is no perfect way, but we must dig into it as best we can. We have these quotations provided by Dudley Windel on four upland cottons, priced for delivery at Liverpool, across the whole period of time that we have been studying. The black curve is a cotton from Mexico, the blue a cotton from Pakistan, the brown Brazil, the green Syria. These prices do not move together in short periods of time. The Brazilian is quoted only in some seasons of the year. If you try to work out a mathematical average, properly weighted, for each month, you run into difficulty; and yet, with the eye of commonsense, we can just look at this picture and see that it does indeed suggest in a rough way what the trend of the world price has been across these years. This is all that we have done in plotting this broken red line. Just look at it and see if you don't think it approximates the main direction of the world price, as reflected by these four cottons.

So I'll take off this clutter of individual prices and just keep the simple red line for further study. Right over it I will show you the price at which Middling inch cotton from the United States was available for export. In here this is simply the 10- or 14-market average; in this period of the competitive sale program we have the sale price at average location, of Middling inch for export; for last season and this season we have the 14-market price minus the export subsidy.

Of course we all know why this price, based on Liverpool, tends to be higher than the U.S. export price. It costs money to move cotton from the Cotton Belt of the United States to Europe. Foreign prices are quoted net weight, while our local prices are gross weight. And we are not comparing identical qualities of cotton in the first place. It would be virtually impossible to work out an adjustment for all these things for every month of this period, but we do want the two curves together so that we can compare their movements; so I am going to do it in a rough-and-ready manner by just lowering the world price 2 or 3 cents, until it approximates, generally, the U.S. export price.

We have had two periods when the world price broke away from the U.S. export price—here (1955), and here (1958). But these are really very limited exceptions which tend to prove the rule that, so long as we have large stocks in this country, the U.S. export price tends to be the leading influence upon the world price. This has been recognized for at least as long as people have been talking about the "umbrella" that we hold over the world price. The world price did come down back in 1955, while the "umbrella" seemed to stay up, but the truth is that people started realizing back here that the "umbrella" was going to have to come down, and that's why they started rushing for cover—rushing to unload stocks.

And what happened in here (1958)? Foreign consumption took a sharp decline because of that temporary recession. Foreign production rose, mainly because of favorable weather. Because of these two things together, the export market weakened, and it became generally recognized that the United States was going to lower its price again. In that situation foreign sellers rushed again to sell, but buyers were interested in working stocks down, not up, and again the price fell.

Then last season (1959-60), foreign consumption had a sharp recovery; Mexico lowered its acreage because of the lower prices of the previous season; foreign production as a whole was down; the spread between foreign offtake and production rose to a good 7 million bales—and we had one of our greatest export years—7.2 million. For the current season, foreign production is up, but consumption remains strong and it is believed that India will add substantially to its stocks—so that, overall, our Foreign Trade Division thinks something like 6.8 million U.S. bales will be exported.

Notice what the world price has done in this recent period of strong demand. It has shown a mild tendency to rise in relation to the U.S. export price. Remember, however, that this is Middling inch and that our lower grades and staples have generally shown a stronger price trend. Anyway, this firming of the world price is what you would expect in a strong world market, but the ability of the world price to rise above our price is quite limited and restricted

provided (and this is an all-important proviso), provided we have ample quantities of cotton to sell at this price.

The biggest message of this chart is that all across this period the U.S. export price has been the real price leader which has influenced the general level of the world price—and that under the influence of U.S. policy the world price has come down to a decidedly lower level. We shall see that at this lower level world stocks have ceased to rise and have declined, that the U.S. export outlook has radically improved, and that it is because of what this lower price has done to foreign demand and foreign supply.

As for foreign demand, a foremost question always is: How is cotton doing against rayon? In the foreign world rayon is generally cotton's No. 1 competitor still. Let's look into it. Here is the same world price that we have been studying. Has it really affected the competition of cotton with rayon?

The ICAS has prepared some good figures on the consumption of cotton and of other fibers, in all the main areas of the world. Here we have, for the free, foreign world, the consumption of rayon staple expressed as a percentage of the cotton consumption. These green bars are by calendar years; so in order to get the time relationship exactly right, I have to locate them like this. In calendar 1952 the free, foreign rayon staple consumption was equal to 13 percent of the cotton consumption. Just 4 years later, in 1956, it had risen to 21 percent. In other words, rayon was gaining on cotton in the free, foreign world, taken as a whole, at a most alarming rate indeed—and that had been going on for quite a few years past. In these 4 brief years rayon staple consumption more than doubled.

These were years of a relatively high cotton price. The price started down back here (1955), but as we have repeated a thousand times, the short-run effects of price competition between cotton and rayon do not amount to very much. It takes time. What happened in later years under the influence of this lower world price for cotton? We have the answer from ICAC, only through the calendar year 1959, but I want you to look at it. In the whole foreign, free world, looked at in the aggregate, the powerful competitive gains of rayon against cotton came to a most dramatic and impressive halt. Cotton has done fully as well as rayon since 1956. I don't see how we could ask for sharper evidence that the lower price has been a most important cause of the continued upward drive of cotton consumption in the foreign world.

And what of foreign supply—the production of cotton in the free, foreign world? I might use this picture of the world price again, but, in measuring the acreage of foreign cotton, it is always interesting to look at the whole period since World War II. For that whole stretch of time the best indicator that we have of the world price is that at which U.S. cotton was available for export—and here it is. As I have said, the world price stays fairly close to this price over any length of time, so long as we have ample quantities to sell. During the Korean war the world price broke clear away from this, and went through the ceiling, for the very reason that we almost ran out of cotton and our exports were restricted. But anyway, we get a clear picture here that the world price was generally high across all this period (to 1955), and much lower in these later years.

What about the acreage of cotton that was planted for this kind of price in the foreign, free world? Here we are. Just read the meaning of that heavy red line. Across the whole era of high prices, it trended steeply upward. It went from 27 million acres to 46 million in the brief span of 8 years. And what has happened to this acreage in the five seasons since 1955-56? In the aggregate, it hasn't increased 1 acre. In sum total, it has not increased at all in the last 5 years, up to and including the season we are in right now. On the whole, yields per acre have continued a mild, upward trend. Actual production has fluctuated quite a bit with changes in the weather from year to year. But the measure of how planting decisions respond to the price level is in the acreage, and here it is—no increase at all since the world price came down.

When we go into these fundamental sources of our export market, they inspire some confidence that a great and expanding market is within our reach. Indeed we have it, but can we keep it? These big export years, 7.2 last season and perhaps 6.8 this season, are not the result of any fly-by-night, temporary boom. They are markets that can keep on growing. They are the result of fundamental

improvement in the consumption of cotton, as compared with the production of cotton, in the foreign world. We will most certainly have other years like 1958-59 when consumption turns down and production up, and our exports will drop sharply. No policy on anybody's part can prevent this so long as the textile cycle and the weather are beyond the reach of human control. But policy can recognize these temporary changes for what they are and can keep us on a long-range course that will have this spread between foreign consumption and production trending on upward through the years.

We have overwhelming evidence that the world price is crucial to all this and that the U.S. export price is crucial to the world price. When we look at this picture here, we can't afford to be too dogmatic in talking about changes of a cent or two in our export price, because the world price doesn't stick that closely to our export price, anyhow. In the period ahead, whether we like it or not, we'll have an opportunity to observe the effect of this fairly mild increase in the world price upon foreign acreage and upon our competition with rayon abroad.

But within quite narrow limits our export price is indeed vital to our foreign market, and we have to be alert to three different ways in which U.S. cotton policy might conceivably cause that world price to rise sharply enough so that it would undermine all the progress that we have been reporting.

The export price is the domestic price minus the subsidy. The export price might be raised either by lowering the subsidy or by raising the market price here at home. The domestic price is a vital thing in our competition with rayon and the noncellulosics and with many other materials here at home. It is perhaps even more vital at this point because of its relationship to the export price.

A third way that the world price might be turned upward with fatal effects on our export outlook would be through a shortage in the world supply. Our export price cannot always hold the world price down. It can only do so when we have adequate stocks for any demand that develops. We learned this well in the Korean war period. If we produce too little cotton in the years ahead, as we did in 1950, and the world market becomes really tight, the price could easily rise 5 or 10 cents a pound and breathe enough new oxygen into foreign rayon and foreign cotton so that our exports will be virtually destroyed.

Therefore we are interested in studying the world stocks of raw cotton. Here are the August 1 stocks in the free foreign world for the whole period from 1946 to 1960. Stocks take their significance from the volume of business that they must accommodate, and so I have expressed this in terms of how many months of offtake they amount to. About 5 months last August. Viewing this all alone, it looks like a very small amount of stock for a commodity that has to be shipped all over the world and is subject to big fluctuations in both supply and demand. But the truth is that the foreign world has grown accustomed to the idea that there is one place where additional stocks can always be obtained when needed: the United States. We hold the only real buffer stocks in the world. What do they amount to?

Here [indicating], in blue, are the U.S. stocks superimposed on the foreign stocks. Since we are looking at foreign needs, I have expressed the U.S. stocks also in terms of months of free foreign offtake. It is when we look at these two things together that we get the real story. Last August 1 the total was at its lowest postwar level except for 1951, when world prices went to 80 cents a pound, and it seems unlikely that there will be any increase in free world stocks this season. They will more likely go down, especially in relation to the higher volume of foreign offtake. And the U.S. carryover is certainly not all available for export. In this country, and indeed in most of the world, the pressure of synthetic competition makes it necessary to keep larger supplies on hand, for adequate quality selection.

When we talk about increasing cotton acreage in the United States today, we are not talking about growing it to be piled up in ever-increasing Government stocks. We are talking about growing it to supply an expanding market and to avoid a genuine shortage that could destroy that market expansion.

We shall close with this further word on acreage. Here is the trend in free foreign acres from 1952-53 to the present crop year. You saw it earlier for the whole postwar period. Here in 1956-57 is the point where it leveled out. And over this I give you the trend of acreage harvested in the United States. Both these curves represent indexes, beginning together in 1952-53, so that we can

compare the trend of acreage at home and abroad. We might look at this record in three phases. Back here, in the period up to 1955-56, foreign acreage was sharply expanding and U.S. acreage was being sharply reduced. Farmers were saying, with understandable feeling, that their acres were being transferred to Mexico and India and other countries. That phase ended when foreign acreage stopped expanding, but U.S. acreage kept right on downward. We continued to reduce acreage because this country held the only excess stocks in the world, and we alone were in the process of working them down.

Now we are in a third phase, in which our share of the free world's acreage has been increasing for a change. Our total acres rose last season, rose a little this season, and for 1961 we have allotments that would permit some further increase.

When we look at it this way, it certainly seems that the U.S. grower is entitled to some increase. The effect of this was tempered somewhat by the faster rate of yield improvements in the country, but that was mild consolidation for a 55-percent acreage reduction in 6 years of no net reduction abroad.

The U.S. cotton farmer adjusted production to his market, and now he is adjusting upward again because his market is growing. If he wants to keep a growing market he will have to produce for it.

Always, however, we have to remember that a Government subsidy is an essential part of this picture—an export subsidy. The cottongrower has been facing higher costs and lower selling prices. Farmers generally are not in position today to produce cotton at the world price, but depend vitally on a subsidy to keep that price down around its present level.

What kind of outlook does this give us for our long-range future? It makes a risky future for two reasons. First, farm political strength is declining. But second and more important, if we hope to depend mainly and permanently on a subsidy, we will find ourselves depending on a bigger and bigger subsidy, because our competitors—including foreign rayon and foreign cotton—are improving their methods of production, and they have a vast advantage in cheap labor. If our main answer to this challenge is to be a subsidy, we will sink deeper and deeper into the coils of a subsidy system.

The only other answer is research and promotion to make markets expand and costs come down. We have a fiber that responds wonderfully to both. Our one great hope rests on minimizing the labor inputs by drawing the contest into the arena of technology, where we certainly have the ability to lead the cotton-growing world, if we will.

(The charts follow:)

THE ECONOMIC OUTLOOK FOR UNITED STATES COTTON*

The Carry-over: Grain and Cotton

In understanding where cotton is today, it seems helpful to begin with one quick look at a bigger part of American agriculture. In Chart 1 we have the carry-over of grain, as well as cotton, for the period since the Korean War. The grain figure includes wheat and the feed grains. The broken lines show projections to the summer or fall of 1961.**

As for grain, there has not been one single year in this whole period when our Nation's carry-over did not go up. We have been producing more than we were selling year after year. The total rises here from 28 million tons to 128 million,*** for an increase of 100 million tons in nine years.

With cotton, the picture is certainly different. In the earlier part of the period, from 1952 to 1956, cotton stocks were piling up terrifically -- faster percentagewise than grain. The carry-over reached 14.5 million bales in 1956. But now we are in the fifth straight year of a generally downward trend in the carry-over of cotton. Including the early season ginnings and

* This report was prepared for oral presentation with projection slides. The informality of the original language is retained here. In the slides, much use was made of overlays and contrasting colors. It is impossible to retain all the clarity of the original charts in this printed version.

** The statistics used are for the beginning of the crop year for each commodity (July 1 for wheat, oats and barley; August 1 for cotton; October 1 for corn and grain sorghum.)

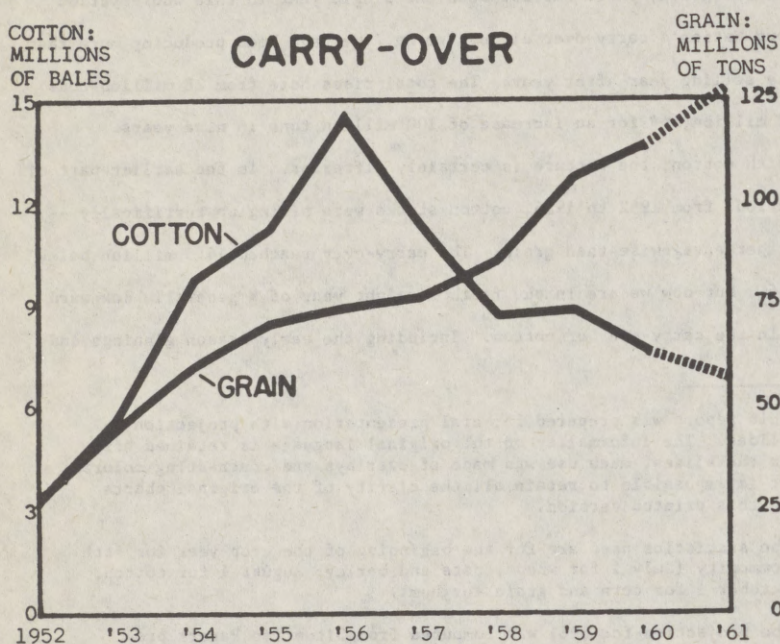
*** The projection for 1961 was computed from Situation Papers presented by the U. S. Department of Agriculture at the First Annual Farm Policy Review Conference, Ames, Iowa, Nov. 29--Dec. 1, 1960.



the long-staple, it was down to about $7\frac{1}{2}$ million bales last August 1. The present outlook is for another substantial reduction this season. When we realize that this carry-over includes the only important buffer stock of cotton in the entire world, it is becoming less and less realistic to talk about our supply of cotton as containing any surplus at all.

Grain naturally tends to over-shadow cotton in the impression it makes upon the public mind. Grain is grown in every state and on three-fifths of all the harvested cropland in this country -- well over 12 times as much cropland

Chart 1



Sources: Cotton -- U.S. Department of Commerce; Grain -- U.S. Department of Agriculture; 1961 projections -- for grain see footnote on page 1; for cotton, see text.

as cotton. But the grain story is not the cotton story. In the last four seasons we have sold seven million more bales of cotton than we produced, and the carry-over is still headed downward.

This has been achieved in part by cutting back production effectively, but it has also been achieved in part -- a very big and important part -- by expanding the total market for U. S. cotton.

This is our subject here. We go now into an analysis of the latest information on our expanding market.

The Off-Take

Chart 2 summarizes the annual off-take for the period of time since the Korean War. Domestic consumption is represented by the lower parts of the bars. Consumption reached nine million bales last season. For the current season, because of imports and the recession, consumption is down. I am not forecasting at all, but am just reporting here the actual rate of mill consumption for the first five months, August through December. With seasonal adjustment, this figures out at an annual rate of $8\frac{1}{2}$ million bales.

Exports are shown by the upper portions of the bars in Chart 2. In the first four seasons, 1952-56, our exports averaged only 3.1 million bales a year -- the lowest four-year peace-time record in nearly a century. But in the next four seasons, we had the highest average exports in a generation. Even with one bad season, it averaged 5.8 million bales a year. Last season, 7.2 million bales. And now the Council's Foreign Trade Division, in its analysis of the outlook for the current season, makes a tentative projection of 6.8 million bales of exports.

This would bring our total off-take for the present season just a little above 15 million bales, compared with 16.2 million last season. The total off-take averaged only 12.1 million bales in the first four-year period on

Chart 2

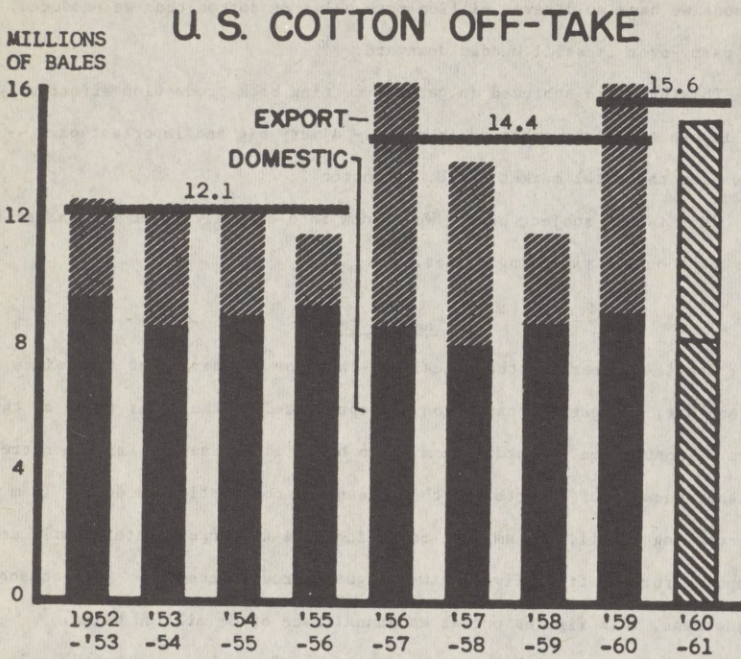


Chart 2. It was up to an average of 14.4 million in the latest completed period of four years, 1956-60. For the present season, both consumption and exports are subject to a considerable margin of error; but if the total winds up at 15 million, we shall have had an average off-take of 15.6 million bales in the latest two seasons. Here is an agricultural commodity with a market that is growing at a very impressive rate.

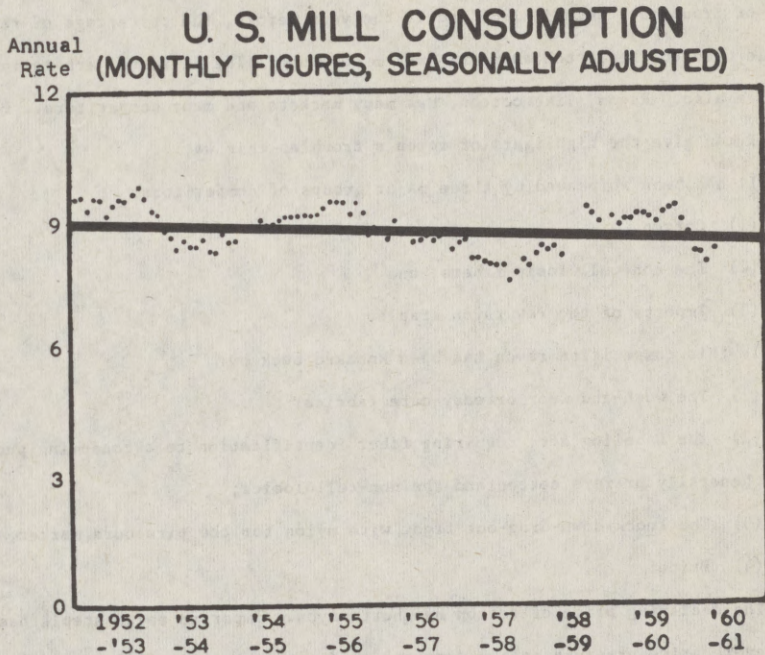
This growth, thus far, is in the export market, and we shall come to that in a few minutes. First, however, an examination of the domestic market, as shown by the solid, lower portions of the bars in Chart 2.

I. THE DOMESTIC MARKET

The same information on domestic consumption is presented in Chart 3, except that here we have monthly figures. Each dot represents the mill consumption of cotton in a given month, corrected for normal seasonal variation. The scale on the left shows the corresponding annual rate of consumption in millions of bales.

We have superimposed a straight line for the trend of mill consumption across the whole period covered in Chart 3. Two things are sharply apparent: First, the cycle of mill consumption continues to operate. Second, the trend across the years is mildly downward.

Chart 3



Source: U.S. Bureau of the Census

Why is the trend downward? Since the economy is expanding, it is obvious that we have been having competitive losses to somebody.

Who are our competitors for the domestic market? There is a long list of them. Some of the leaders are rayon and acetate, the non-cellulosic fibers, paper, plastics, jute, wool, metals, the foreign cotton which is imported in manufactured forms, and the many goods and services which compete with textile products for the consumer dollar. I will just discuss three of them here: Rayon, the non-cellulosics, and manufactured imports.

Rayon

Our worst competitive blows have not come recently from rayon. With this fiber, long our No. 1 competitor, the big story now is that it has troubles -- lots of troubles. Both in 1960 and in the year before, the percentage of rayon staple used on the cotton spinning system declined. The filament yarn is in trouble also. Rayon, like cotton, has many markets and many competitors. Perhaps I can give the highlights of rayon's troubles this way:

It has been whipsawed by three major groups of competitors:

- (1) Cotton,
- (2) The non-cellulosic fibers, and
- (3) Imports of the raw rayon staple.

In this competition rayon has been knocked back by:

- (1) The wash-and-wear or easy-care fabrics;
- (2) The Labeling Act, requiring fiber identification to a consuming public which generally prefers cotton and the non-cellulosics;
- (3) The knock-down-drag-out fight with nylon for the tire cord market; and
- (4) Price.

The declining price of cotton has hurt rayon. Imported rayon staple has put severe price pressure on the domestic producers. Late in 1959 the price of

rayon staple was 33 cents. Now it is somewhere around 27 or 27½ cents. This steep decline does not reflect the kind of long-range price policy with which rayon hurt us so much in years past. It looks more like distress pricing by an industry trying desperately to hang on.

Rayon has its troubles, but we most certainly are not counting it out. We need to keep a keen watch on the industry's efforts to launch improved types of rayon. It has a lot of idle capacity today. If the industry could really stabilize its price for the long pull around the present level (I doubt that it can) or if the price of cotton should rise very much, we would have new trouble from rayon.

We are having a lot more of it right now from the non-cellulosics.

The Non-cellulosics

This cumbersome word is the clearest one that we have to refer to the man-made fibers other than rayon and acetate. This means Dacron, Orlon, Acrilan, nylon, Fiberglas, and so on. In terms of clearly defined threats to cotton, these fibers as a group are now No. 1 among all the materials that compete with us on the domestic market.

There is no expansion going on right now in the domestic capacity to produce rayon, but here are the figures for the non-cellulosics:*

November 1958 -- 3,268,000 cotton bale equivalents

" 1960 -- 4,359,000 " " "

" 1962 -- 5,914,000 " " "

In the past two years enough new plant capacity was built to produce an amount of these fibers equal to more than a million bales of cotton, and for the next two years the anticipated increase equals more than one and one-half million bales!

* Computed from statistics in Textile Organon, December 1960, p. 195.

For a long time there was only one company making real headway with the non-cellulosics; then there were two; now, in the past several years, four or five other big companies have got into production on a serious scale. Many new, strange words like Kodel, Vycron, Fortrel, are lining up for admission to the housewife's vocabulary. The whole nature of the market changes as they begin giving one another some competition. It has also changed in another way. In years past these fibers were thought of mainly as competitors of wool and silk -- but the capacity figure shown above for 1962 is six times all the wool and silk used in this country today. It gets clearer and clearer that if these people are going anywhere with all this new fiber, they have to go mainly into cotton's markets. We doubt very seriously that they can sell this much fiber any time soon. But here's the challenge.

Our Market Research people find these fibers digging at our markets in various ways, but the most serious thing right now is the battle of the blends-- blends especially of the polyesters with cotton -- against treated all-cottons, for the great and growing easy-care market. As competition quickens, the synthetic people are coming down from 75 or 65 to 50 per cent synthetic and 50 per cent cotton in the blends. This arithmetic is not good for cotton -- it is bad for cotton -- because it strengthens the chance of a blend to take an all-cotton market. With 50-50 blends cotton's price advantage is reduced, and more of cotton's quality is found in the blends.

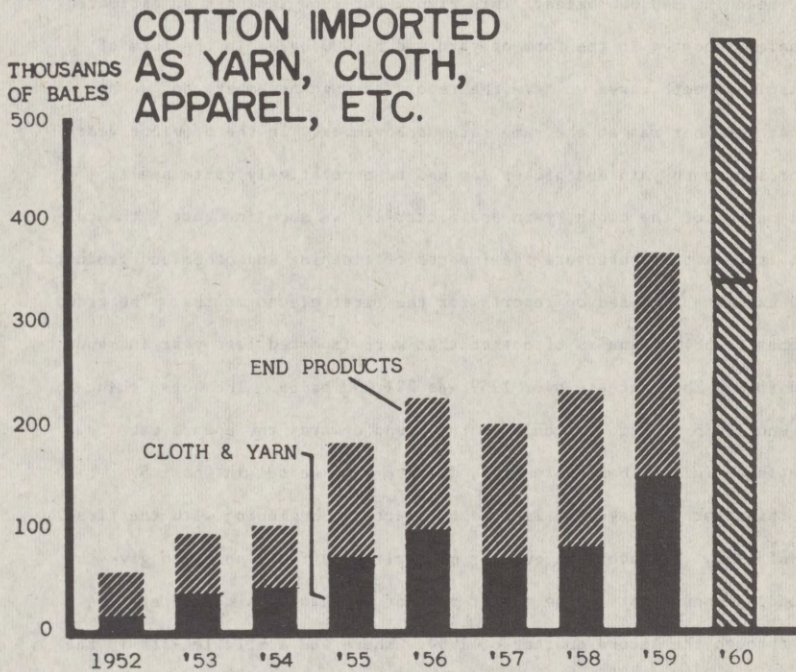
The basic weapons of this battle are these four: 1. Promotion, 2. Quality, 3. Price, 4. Dependable supply.

The prices of these fibers are still generally above 90 cents or a dollar a pound, but their price competition with cotton is becoming more intense all the time. Price has no meaning when it stands alone. It gets its meaning when we relate it to the quality of the fiber, the promotion put behind it, and the dependability of the supply -- whether the mill can count on getting just

the quality it wants, just when it wants it -- not some of the time but all of the time. When we put it in this context, price is important, and each of these other things is important. The synthetics generally go further, pound for pound, than cotton. Recent price changes in these fibers have been mixed, but the main trend seems likely to be downward in future years. The price of one new polyester was reduced last year from \$1.26 to \$1.00 a pound. The shift to 50-50 blends narrows the price difference further.

We have to fight back on all four of these fronts. The Agricultural Act of 1958 gives cotton a better chance to be competitive in No. 4 (dependable supply) by the adoption of a new carry-over policy. The old concept of 4 million

Chart 4



Source: U.S. Department of Agriculture. (See text for 1960 estimates.)

bales, more or less, as an adequate carry-over provision goes back to the days when we didn't have this kind of competition.

Manufactured Imports

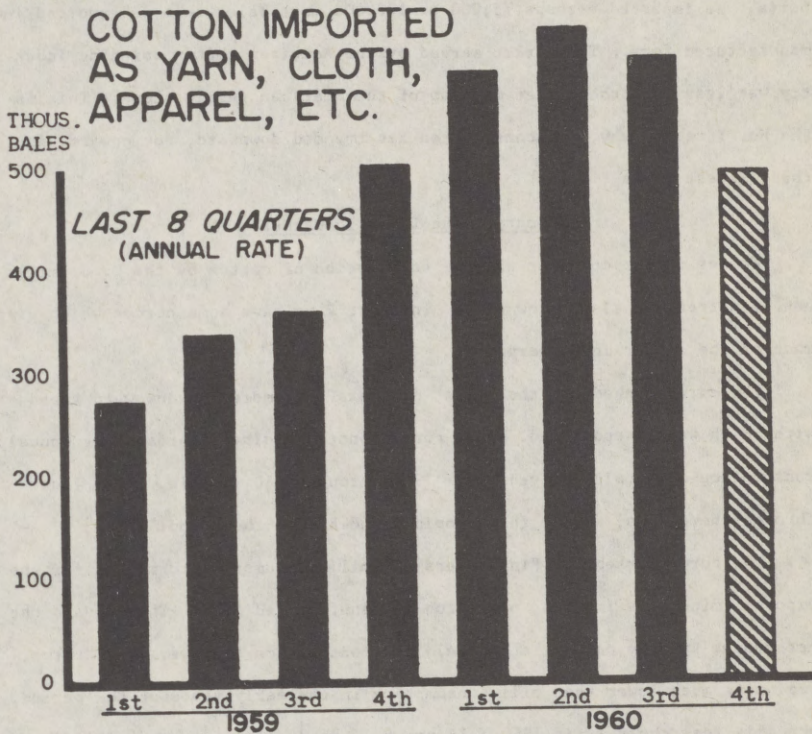
Third and finally for the domestic market, an up-to-date look at textile imports. Notice Chart 4. The lower parts of the bars measure the amount of raw cotton required to make the cloth, yarn and picker lap imported each calendar year from 1952 through 1960. The estimate for last year is based on the actual statistics for the first eleven months. Our case before the Tariff Commission last spring was based on the figures through 1959. Now look at 1960! The 1959 record was the all-time high, by far. In 1960 it more than doubled, reaching 340,000 bales. This figure for 1960 includes an estimated 36,000 bales imported in the form of yarn and 51,000 bales in the form of picker lap. In both cases we have the record through November, and we assumed that December was at the same rate as November. In the previous year the imports of both yarn and picker lap had been relatively quite small.

And on top of the cloth, yarn and picker lap we show in Chart 4 the cotton that it took to manufacture the imports of clothing and other end products. The 1960 estimate is based on reports for the first eleven months. The grand total comes to 581,000 bales of cotton that were imported last year in manufactured form. The increase over 1959 was 221,000 bales. The worst thing is that no end is in sight. Not only is the trend upward; the upward rate is accelerating. This is basically true, despite what we see in Chart 5.

In this chart we have the imports by quarters, beginning with the first quarter of 1959. We have each quarter multiplied by four, so as to give the corresponding annual rate. The abrupt rate of increase was completely unchecked through the second quarter of 1960. There was a mild let-off in the third quarter. We show a rough estimate for the fourth quarter, which is based

on figures for October and November. This recent decline appears to reflect the textile recession, with the drop-off in cloth prices, at a time when textile business continued strong in most other countries. The rate of imports is bound to be influenced to some extent by strength or weakness in the domestic market. I suppose the most notable thing is that even with this decline, the rate of imports was still about 500,000 bales a year. This cyclical decline offers no real encouragement at all about the basic trend. It is still strongly upward with no end in sight.

Chart 5



Source: Estimates based on U.S. Department of Agriculture and U.S. Department of Commerce data.

We should note the trend across these years in the exports of cotton products. This is shown in Chart 6. The raw cotton equivalent of our manufactured exports came down from 704,000 bales in 1952 to 500,000 or less last year. The 1960 estimate is based on Department of Agriculture figures for the first ten months.

Chart 6 also gives the raw cotton equivalent of manufactured imports. As recently as 1952 the exports exceeded imports by 636,000 bales. Just two years back, in 1958, we still exported 287,000 more bales than we imported in manufactures. In 1960, for the first time, the imports rose above the exports. We imported perhaps 75,000 or 100,000 more bales than we exported in manufactured form. The market served by the American cotton spinning industry was less than the market made up of the American people alone. This is the No. 1 reason why mill consumption has trended downward, not upward, in these latest years.

Summary: The Domestic Market

We set out to consider why the consumption of cotton by the U. S. mills has been trending slowly downward. In Chart 7 we have some curves which give much of the answer in summary form.

The curve marked "By the Mills" presents once more the downward trend with which we are concerned. This curve connects points representing annual consumption each calendar year from 1952 through 1960. Again, if we look through the cycles, we see the drooping tendency of the trend.

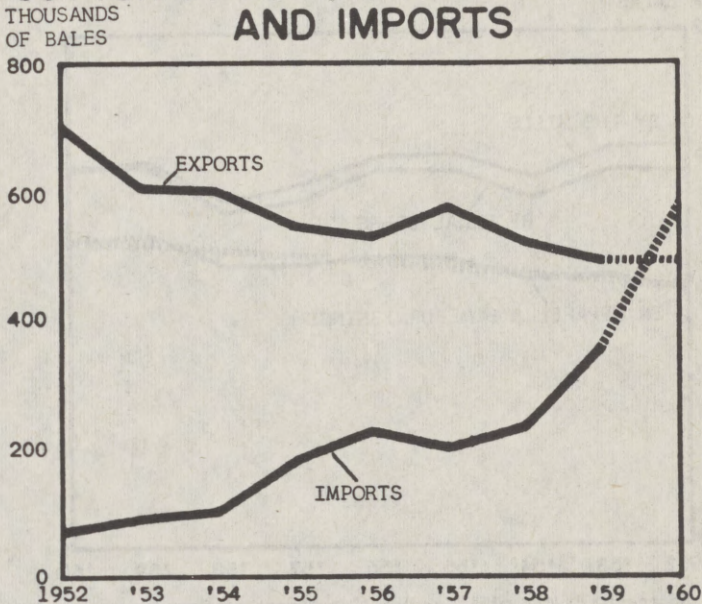
The curve marked "By Final Users" is mill consumption corrected for the exports, minus the imports, of cotton in manufactured form. This equals the net amount spun by our mills and held for consumption at home. This curve, beginning much lower than mill consumption in the early years of the period, actually rose above it in 1960. If you will study closely this trend of consumption "By the Final Users," you will see that it has no downward tendency

at all. The behavior of manufactured imports and exports is sufficient to explain all of the downward trend in U. S. mill consumption of cotton. The American people themselves, looked at in the aggregate, have not been reducing their consumption of cotton.

This is not to say, however, that consumption of cotton has kept up with the rising population or with the rising rate of consumer expenditures. It has not. The chief explanation for this is to be found in our "industrial" uses. The lower curve on Chart 7 shows the consumption of cotton "In Apparel and Homefurnishings." This is based on the Council's Market Research figures, which are derived largely from statistics taken at the point of fabrication.

Chart 6

COTTON IN MANUFACTURED EXPORTS AND IMPORTS



Source: U.S. Department of Agriculture

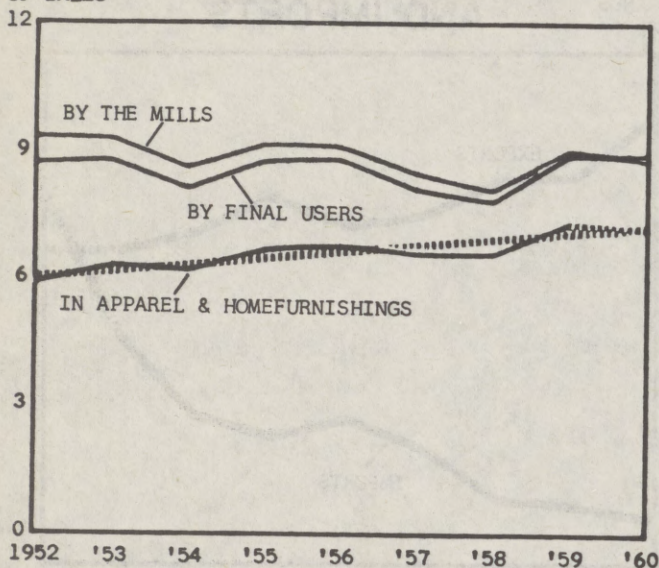
There was a slight decline in 1960, reflecting the cyclical downturn, but we have included a broken line which seems to reflect the basic trend. The consumption of cotton by the American people, in uses other than the "industrial" group, reflects a healthy upward trend. As you can see, these clothing and household uses now comprise roughly four-fifths of the cotton consumption by the American people.

Our "industrial" losses seem to have been slowing down in recent years. If we can check these losses and if we can find a solution to the rapidly rising imports, we can begin making our total domestic market take on the

Chart 7

U. S. CONSUMPTION OF COTTON

MILLIONS
OF BALES



Sources: By the mills -- U.S. Department of Commerce;
by final users -- see text; in apparel and
homefurnishings -- National Cotton Council.

character of the trend which we already see in clothing and homefurnishings. We could begin experiencing an average increase in mill consumption amounting to a quarter of a million bales a year -- a modest goal in a country with so much economic growth. But even in the strong sectors of our market, it is necessary to remember that a great competitive struggle is going on, and that the weapons of the struggle are promotion, quality, price, and dependable supply.

II. THE EXPORT MARKET

And with that we'll turn back to the other part of our market, the part where changes come faster and are even bigger -- our raw cotton exports. In Chart 2, notice again the upper portion of each bar, representing exports. The total market for U. S. cotton has begun showing a tremendous upward trend, and the rise is in exports.

These cotton exports earn a lot of foreign exchange, and it has been fifty years since our country had so much reason to appreciate a big export commodity. In a year like 1959-60, or the current one, our cotton exports earn around a billion dollars of foreign exchange and provide a welcome source of strength to the dollar.

Obviously something of great importance has happened to our exports in the decade just past, and we want to understand it very thoroughly. To do this we go back to the fundamental things that determine our exports.

Foreign Consumption and Production

First the consumption of cotton abroad. Examine the upper curve on Chart 8. This is the total consumption of cotton at the spinning level in all the countries of the Foreign Free World, with an addition for the net exports of cotton to the communist countries. It covers the long period of years beginning with the season of 1947-48. We see the long, wonderful upward trend of consumption abroad, and we see too the short-term fluctuations

that occurred. A year ago we stood at a very critical point, because immediately behind us was a big let-off in foreign consumption. Did this mean that the strong upward trend of foreign consumption had run out of steam? If so, there could not have been worse news for U. S. cotton exports. Or was this downturn here just a temporary thing, resulting from the deepest and most general foreign textile recession of the postwar period? The fundamental facts of the world economy supported the belief that this was mainly a temporary recession, and that even then the long upward trend was being reaffirmed by a sharp recovery.

Now the season of 1959-60 is in the record, and we see that the recovery was strong enough to give us considerable reassurance. For the current season of 1960-61, in which we are midway now, the Council's Foreign Trade Division estimates an off-take of about 24 million bales. (We show this with a dot at the center of the 1960-61 season.) This compares, for example, with about 20 million five years ago -- making an average increase of 800,000 bales a year. The most likely prospect for the future is that the textile cycle abroad will continue to cause big fluctuations from year to year, and that our exports in any given year will be greatly affected thereby, but that as we move on through these cycles there will continue to be a strong upward trend. We have inserted a broken line to suggest the direction of this trend, as we seem to have experienced it in recent years.

And what about foreign production? For this we can study the lower curve on Chart 8. Here we have the bales of cotton produced in this same Free Foreign World. The year-to-year fluctuations in the past four or five years are explained largely by the weather and by the ups and downs of acreage in Mexico and Central America. The upward trend in these recent years has been a mild one indeed. Notice the trend line for the past six seasons. Very clearly the spread between Free Foreign consumption and production has been

widening. This is the key to our sharply rising exports! Across the years, as this spread widens, our exports have to increase just as much.

And what are the underlying forces that have been causing foreign consumption to increase faster than production? The biggest things are these:

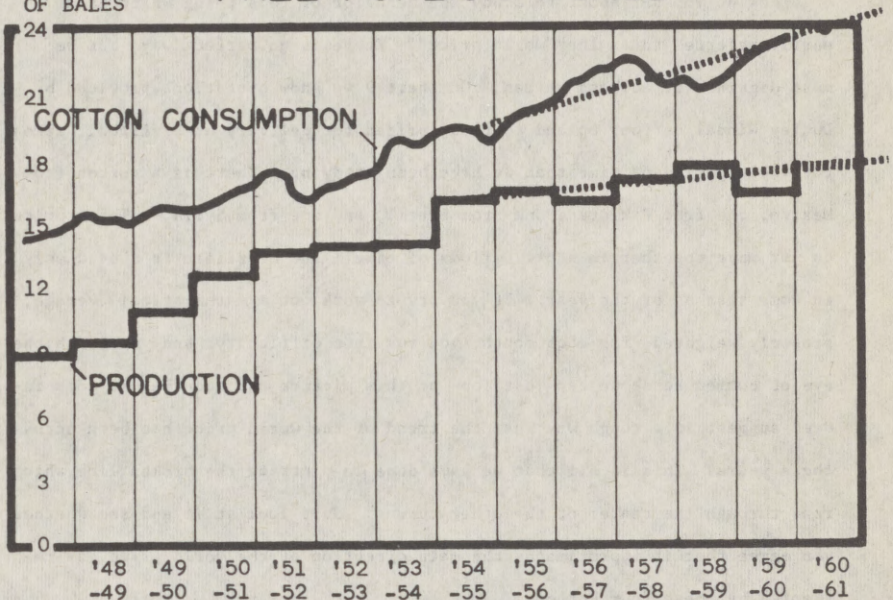
Rapidly rising population.

Economic growth, which means rising demand for commodities and rising

Chart 8

MILLIONS
OF BALES

FREE FOREIGN WORLD



Sources: Consumption -- computed from data of International Cotton Advisory Committee, as follows: For countries reported monthly (approximately 80 per cent of total) monthly totals were compiled and seasonally adjusted. For remaining countries, annual consumption figures were divided into equal monthly amounts and added. For net exports to Communist countries, annual figures were similarly treated. Grand totals by months were consolidated into quarters and plotted, and the resulting curve was smoothed slightly by inspection. Production -- International Cotton Advisory Committee. Both estimates for 1960-61 -- National Cotton Council.

competition for the resources with which to produce them.

Promotion. In this meeting you will hear the tremendous story of how sales promotion programs, patterned on our own in the United States, have been taking hold in the greater part of the entire foreign free world.

And price. This is absolutely crucial to the whole story of why our exports have risen. A touchy subject, but we couldn't understand anything about the great expansion of our exports if we did not go into it.

The World Price

How do you set about to study the behavior of this thing which is so easily referred to as the "world price"? There is no perfect way, but we must dig into it as best we can. On Chart 9 we show quotations provided by Dudley Windel on four upland cottons, priced for delivery at Liverpool, across the whole period of time that we have been studying. There is a cotton from Mexico, one from Pakistan, one from Brazil, and one from Syria.* These prices do not move together in short periods of time. The Brazilian is quoted only in some seasons of the year. If you try to work out a mathematical average, properly weighted, for each month, you run into difficulty; and yet, with the eye of common sense we can just look at this picture and see that it does indeed suggest in a rough way what the trend of the world price has been across these years. This is all that we have done in plotting the broken line which runs through the center of the other curves. Just look at it and see whether you agree that it approximates the main direction of the world price, as reflected by these four cottons.

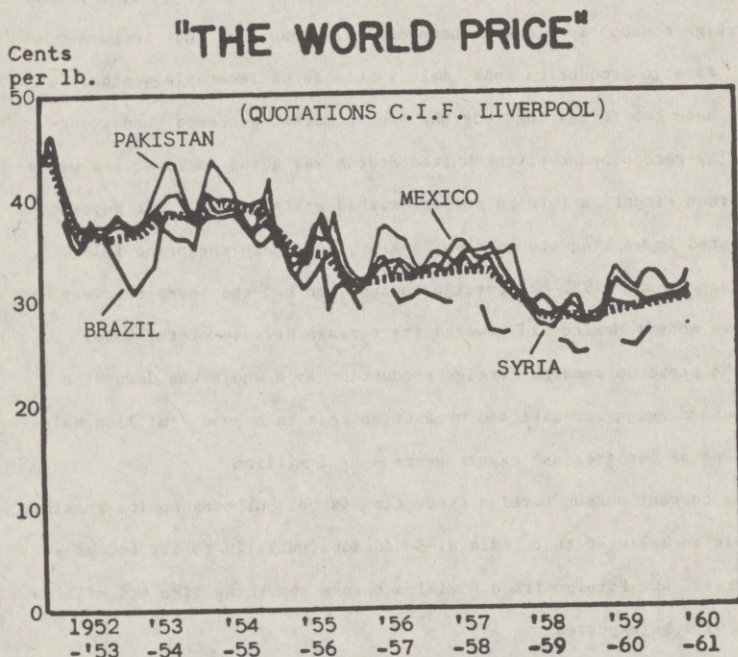
This same broken curve for the world price is shown in Chart 10, except that I have lowered it arbitrarily so as to provide a closer comparison with the changes in the U. S. export price. The solid curve represents the price

* The four individual curves were distinguished by separate colors in the oral presentation. While they cannot be clearly distinguished here, the four curves together do serve to document the conclusions drawn.

at which middling inch cotton from the United States was available for export. For the period through 1955-56, this is simply the 10 or 14 market average; for the seasons of 1956-59, when we had the competitive sale program, we show the sale price at average location, of middling inch for export; for last season and this season we have the 14 market price minus the export subsidy.

You readily see that we have had two periods when the world price broke away from the U. S. export price -- in 1955 and in 1958. But these are really very limited exceptions which tend to prove the rule that, so long as we have

Chart 9



Source: Prices for individual countries -- Dudley Windel as quoted by International Cotton Advisory Committee; also see footnote on page 18. Trend curve -- see text.

large stocks in this country, the U. S. export price tends to be the leading influence upon the world price. This has been recognized for at least as long as people have been talking about the "umbrella" that we hold over the world price. The world price did come down back in 1955 while the "umbrella" seemed to stay up, but the truth is that people started realizing early in that year that the "umbrella" was going to have to come down, and that's why they started rushing for cover -- rushing to unload stocks.

And what happened in 1958? In the upper part of Chart 10 we have reproduced a portion of the consumption and production curves from Chart 8. (See Chart 8 for the scale to which these curves are related.) Remember that in 1958 foreign consumption took a sharp decline because of that temporary recession. Foreign production rose, mainly because of favorable weather. Because of these two things together the export market weakened, and it became generally recognized that the United States was going to lower its price again. In that situation foreign sellers rushed again to sell, but buyers were interested in working stocks down, not up, and again the price fell.

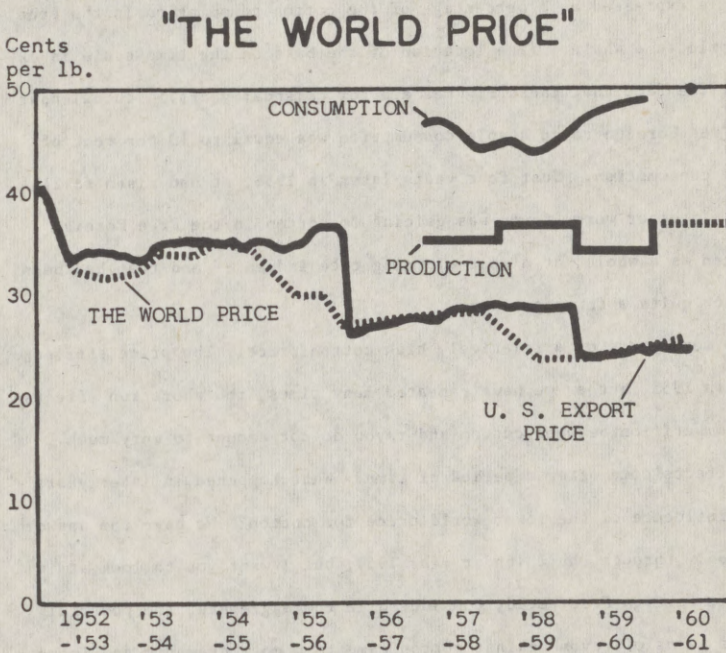
Then last season (1959-60) foreign consumption had the sharp recovery which we have noted; Mexico had lowered its acreage because of the lower prices of the previous season; foreign production as a whole was down; the spread between foreign off-take and production rose to a good 7 million bales -- and we had one of our greatest export years -- 7.2 million.

For the current season foreign production is up, but consumption remains strong and it is believed that India will add substantially to its stocks -- so that over-all our Foreign Trade Division thinks something like 6.8 million U. S. bales will be exported.

The biggest message of Chart 10 is that all across the period since the

Korean War the U. S. export price has been the real price leader which has influenced the general level of the world price -- and that under the influence of U. S. policy the world price has come down to a decidedly lower level. We shall see that at this lower level world stocks have ceased to rise and have declined, that the U. S. export outlook has radically improved, and that the improvement is directly related to what this lower price has done to foreign demand and foreign supply.

Chart 10



Source: U.S. export price -- U.S. Department of Agriculture data used as explained in text. For level of world price, see text.

Foreign Rayon

As for foreign demand, a foremost question always is: How is cotton doing against rayon? In the foreign world rayon is generally cotton's No. 1 competitor still. Let's look into it. Chart 11 repeats the same world price that we have been studying. Has it really affected the competition of cotton with rayon?

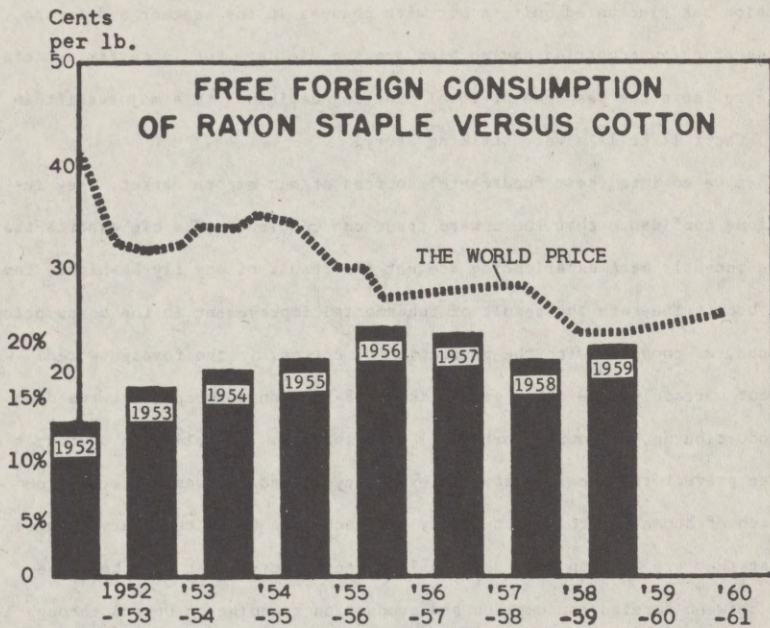
The International Cotton Advisory Committee has prepared some good figures on the consumption of cotton and of other fibers in all the main areas of the world. The vertical bars in Chart 11 represent the consumption of rayon staple expressed as a percentage of the cotton consumption in the Free Foreign World as a whole. (The location of the bars on the time scale is explained by the fact that these figures are for calendar years.) In calendar 1952 the Free Foreign rayon staple consumption was equal to 13 per cent of the cotton consumption. Just four years later in 1956, it had risen to 21 per cent. In other words rayon was gaining on cotton in the Free Foreign World, taken as a whole, at a most alarming rate indeed -- and that had been going on for quite a few years past.

These were years of a relatively high cotton price. The price started down back in 1955, but as we have repeated many times, the short-run effects of price competition between cotton and rayon do not amount to very much. The real effects come after a period of time. What happened in later years under the influence of the lower world price for cotton? We have the answer from ICAC only through the calendar year 1959, but I want you to look at it. In the whole Foreign Free World, considered in the aggregate, the powerful competitive gains of rayon against cotton came to a most dramatic and impressive halt. Cotton has done fully as well as rayon since 1956. I don't see how we could ask for sharper evidence that the lower price has been a most important cause of the continued upward drive of cotton consumption in the foreign world.

Foreign-grown Cotton

And what of foreign supply -- the production of cotton in the Free Foreign World? Here we turn to Chart 12. In measuring the acreage of foreign cotton it is always interesting to look at the whole period since World War II. For that whole stretch of time the best indicator that we have of the world price is that at which U. S. cotton was available for export. As I have said, the world price stays fairly close to this price over any length of time, so long as we have ample quantities to sell. During the Korean war the world price broke clear away from the U. S. export price, and went through the ceiling, for the very reason that we almost ran out of cotton and our exports were restricted. But anyway, we get a clear indication in Chart 12 that the world

Chart 11



Source: Computed from data of International Cotton Advisory Committee.

price was generally high across all the postwar period down to about 1956 -- and much lower in subsequent years. We saw earlier in Chart 9 that the steep decline came mainly in the season of 1955-56.

What about the acreage of cotton that was planted at these general price levels in the Foreign Free World? Just read the meaning of the curve marked "Acreage" in Chart 12. Across the whole era of high prices it trended steeply upward. It went from 27 million acres to 46 million in the brief span of eight years. And what has happened to this acreage in the five seasons since 1955-56? In the aggregate, it hasn't increased one acre! In sum total it has not increased at all in the last five years, up to and including the season we are in right now.

On the whole, yields per acre have continued a mild upward trend. Actual production has fluctuated quite a bit with changes in the weather and in the acreages of a few countries having high average yields. But in so far as total acreage reflects the response of total planting decisions to a major shift in prices, Chart 12 tells a very striking story.

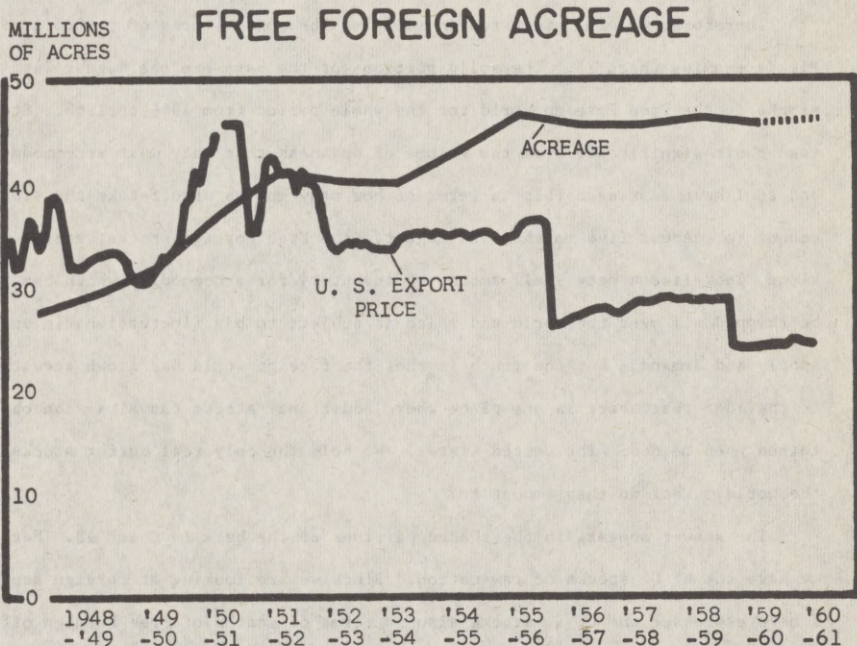
When we go into these fundamental sources of our export market, they inspire some confidence that the upward trend can continue. The big exports that we have recently been experiencing are not the result of any fly-by-night, temporary boom. They are the result of fundamental improvement in the consumption of cotton, as compared with the production of cotton, in the foreign world. We will most certainly have other years like 1958-59 when consumption turns down and production up, and our exports will drop sharply. No policy on anybody's part can prevent this so long as the textile cycle and the weather are beyond the reach of human control. But policy can recognize these temporary changes for what they are and can keep us on a long-range course that will have the spread between foreign consumption and production trending on upward through the years.

Three Ways to Raise the World Price

We have overwhelming evidence that the world price is crucial to all this and that the U. S. export price is crucial to the world price. Therefore, we have to be alert to three different ways in which United States cotton policy might conceivably cause that world price to rise sharply enough so that it would undermine all the progress that we have been reporting.

Essentially, the export price is the domestic price minus the subsidy. The export price might be raised either by lowering the subsidy or by raising the market price here at home. The domestic price is a vital thing in our competition with rayon and the non-cellulosics and with many other materials here

Chart 12



Sources: Acreage -- International Cotton Advisory Committee; U.S. export price -- see footnote to Chart 10.

at home. It is perhaps even more vital at this point because of its relationship to the export price.

A third way that the world price might be turned upward, with fatal effects on our export outlook, would be through a shortage in the world supply. Our export price cannot always hold the world price down. It can only do so when we have adequate stocks for any demand that develops. We learned this well in the Korean War period. If we produce too little cotton in the years ahead, as we did in 1950, and the world market becomes really tight, the price can easily rise five or ten cents a pound and breathe enough new oxygen into foreign rayon and foreign cotton, so that our exports will be virtually destroyed.

World Stocks

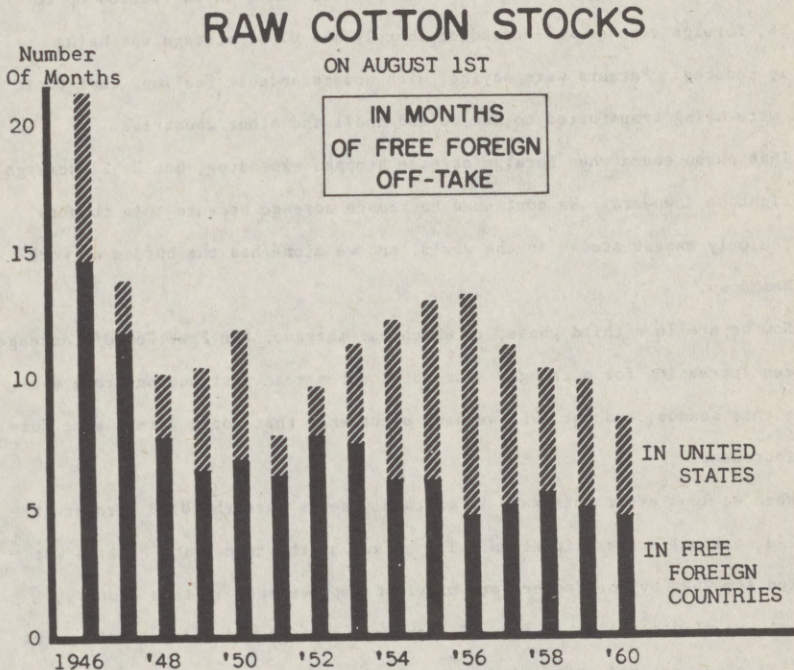
Therefore, we are interested in studying the world stocks of raw cotton. Please examine Chart 13. The solid portions of the bars are the August 1st stocks in the Free Foreign World for the whole period from 1946 to 1960. Stocks take their significance from the volume of business that they must accommodate, and so I have expressed this in terms of how many months of off-take the stocks amount to. About five months last August. The Free Foreign stocks, viewed all alone, look like a very small amount of inventory for a commodity which has to be shipped all over the world and which is subject to big fluctuations in both supply and demand. But the truth is that the foreign world has grown accustomed to the idea that there is one place where additional stocks can always be obtained when needed: The United States. We hold the only real buffer stocks in the world. What do they amount to?

The answer appears in the shaded portions of the bars in Chart 13. Here we have the U. S. stocks of raw cotton. Since we are looking at foreign needs, I have expressed the U. S. stocks also in terms of months of Free Foreign off-take. It is when we look at these two things together (the Free Foreign plus the U. S.) that we get the real story. Last August 1st the total was at its

lowest postwar level except for 1951 (when world prices went to 80 cents a pound) and it seems unlikely that there will be any increase in Free World stocks this season. They will more likely go down, especially in relation to the higher volume of foreign off-take. And the United States carry-over is certainly not all available for export. In this country, and indeed in most of the world, the pressure of synthetic competition makes it necessary to keep larger supplies on hand, for adequate quality selection.

When we talk about increasing cotton acreage in the United States today, we are not talking about growing it to be piled up in ever increasing

Chart 13



Source: Computed from statistics of the International Cotton Advisory Committee.

government stocks. We are talking about growing it to supply an expanding market and to avoid a genuine shortage that could destroy that market expansion.

Acreage: At Home and Abroad

Let me close with this further word on acreage. Chart 14 shows the trend in Free Foreign acres from 1952-53 to the present crop year. You saw it earlier for the whole postwar period. After 1955-56, it leveled out. And for comparison I give you the trend of acreage harvested in the United States. Both these curves represent indexes, beginning together in 1952-53, so that we can compare the trends of acreage at home and abroad.

We might look at this record in three phases. Back in the period up to 1955-56, foreign acreage was expanding sharply and U. S. acreage was being sharply reduced. Farmers were saying, with understandable feeling, that their acres were being transferred to Mexico and India and other countries.

That phase ended when foreign acreage stopped expanding, but U. S. acreage kept right on downward. We continued to reduce acreage because this country held the only excess stocks in the world, and we alone had the burden of working them down.

Now we are in a third phase, in which our share of the Free World's acreage has been increasing for a change. Our total acres rose last season, rose a little this season, and for 1961 we have allotments that would permit some further increase.

When we look at it this way, it certainly seems that the U. S. grower is entitled to some increase in acres. The effect of the trends in Chart 14 was tempered somewhat by the faster rate of yield improvements in this country, but that was mild consolation for a 55 per cent acreage reduction in six years (1952-58) of no net reduction abroad.

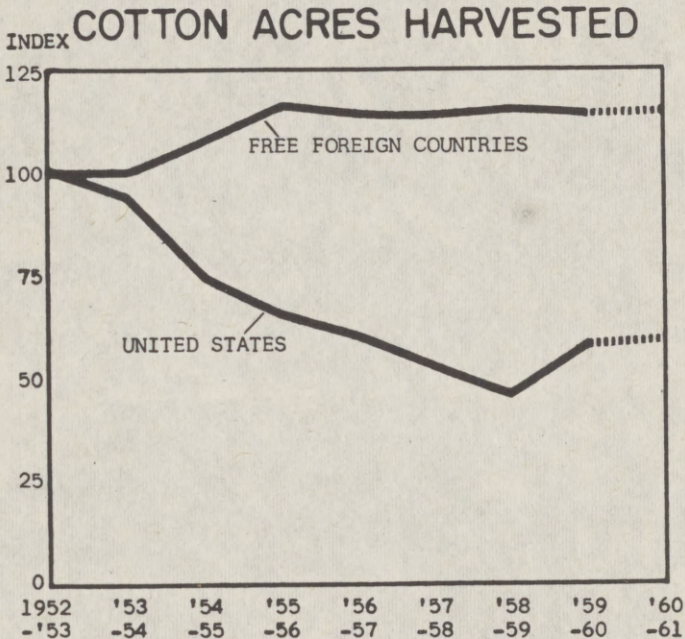
The U. S. cotton farmer adjusted production to his market, and now he is adjusting upward again because his market is growing. If he wants to keep a

growing market, he will have to produce for it.

Always, however, we have to remember that a government subsidy is an essential part of this picture -- an export subsidy. The cotton grower has been facing higher costs and lower selling prices. Farmers generally are not in position today to produce cotton at the world price, but depend vitally on a subsidy to keep that price down around its present level.

What kind of outlook does this give us for our long-range future? It makes a risky future for two reasons. First, farm political strength is declining. But second and more important, if we hope to depend mainly and permanently on

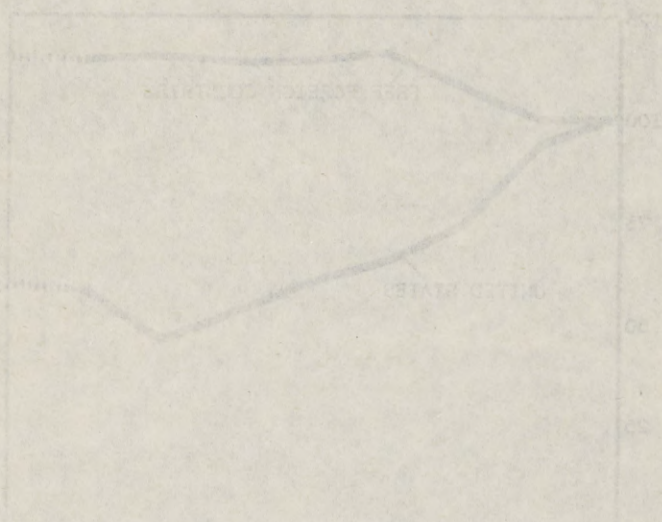
Chart 14



Sources: Free foreign acreage -- International Cotton Advisory Committee; U. S. acreage -- U. S. Department of Agriculture.

a subsidy, we will find ourselves depending on a bigger and bigger subsidy, because our competitors -- including foreign rayon and foreign cotton -- are improving their methods of production, and they have a vast advantage in cheap labor. If our main answer to this challenge is to be a subsidy, we will sink deeper and deeper into the coils of a subsidy system.

The only other answer is research and promotion to make markets expand and costs come down. We have a fiber that responds wonderfully to both. Our great hope rests on minimizing the labor inputs by drawing the contest into the arena of technology, where we certainly have the ability to lead the cotton-growing world, if we will.



Mr. GATHINGS. We are privileged to have had you with us, Dr. Horne, and to present that picture of facts that is so enlightening. I wonder if we could have Mr. Ray Blake, executive vice president of the National Cotton Council of Memphis, Tenn., stand and be recognized. [Applause.]

Also with us is the former president of the National Cotton Council, Mr. Harold Young of Little Rock, Ark. We are glad to have you with us. [Applause.]

The National Cotton Council has members in every segment and every branch of the cotton industry—including the producer, the ginner, the oil mill man, the manufacturer, the processor, the merchant, the warehouseman—every segment of the industry.

We are most grateful to you for coming today and giving us this fine presentation.

Are there any questions or any further comments on the part of the members of the National Cotton Council? Mr. Blake or any of your associates, do you have anything to add?

Any questions from the members of the committee?

Mr. JOHNSON of Wisconsin. How much has rayon taken over? I wonder if it isn't natural that rayon of a certain quality has been coming on the markets at some points?

Dr. HORNE. Yes, sir. There is an element of truth in that, indeed. There are certain markets.

Mr. JOHNSON of Wisconsin. When was the first year that rayon was put on the market?

Dr. HORNE. Rayon has been on the market all of this century, to some extent. It just gradually became big; and its main growth was from 1930 to 1940 and the early 1950's.

Mr. ABERNETHY. Will you put those slides on again that reflect the changes that have been made in the last 6 years? Let us see them again.

Dr. HORNE. Yes, sir. The red is the grain, and that is shown in millions of tons, and the blue is the cotton, shown in millions of bales, which covers the period from 1952 to 1961. It takes the end of the crop year for each individual item.

Mr. JOHNSON of Wisconsin. Does that mean that land in cotton has gone into grain?

Dr. HORNE. No, sir; this is carryover. Cotton today has a basic expanding production possibility, just to relieve some of the problems of grain.

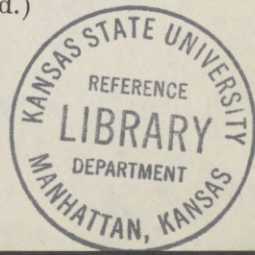
Mr. HAGEN. How responsive is rayon production to supply and the price of cotton; for example, about 50 percent of our steel mills are shut down.

Do the rayon plants and those synthetic plants manifest any up-and-down trend?

Dr. HORNE. They have now demonstrated clear ability to adjust their production pretty quickly, and they generally do. They generally keep their prices somewhat in line with the cotton prices. They will adjust their production quickly.

Mr. GATHINGS. Thank you again. We will now adjourn.

(Whereupon, at 3:15 p.m., the hearing was closed.)



Mr. Chairman, we are privileged to have had you with us, Dr. Hume, and to present this picture of the cotton industry. I wonder if we could have Mr. Ray Black, executive vice president of the National Cotton Council of America, stand and be recognized. (Applause.)

Also with us is the representative of the National Cotton Council, Mr. Harold Jones of Little Rock, Ark. We are glad to have you with us. (Applause.)

The National Cotton Council has members in every segment and every branch of the cotton industry—including the producer, the ginner, the oil mill, the manufacturer, the processor, the merchant, the wholesaler—every segment of the industry.

We are most grateful to you for coming today and giving us this fine presentation.

Are there any questions or any further comments on the part of the members of the National Cotton Council? Mr. Black or any of your associates do you have anything to add?

Any questions from the members of the committee?

Mr. Chairman, how much has cotton taken over? I wonder if it isn't natural that rayon of a certain quality has been coming from the market at some points.

Mr. Hume, yes, sir. There is an element of truth in that, indeed. There are certain markets.

Mr. Chairman of Wisconsin, when was the first year that rayon was put on the market?

Mr. Hume, this is the question that I am alluding to. Rayon was introduced. It was gradually becoming part of the main growth was from 1920 to 1925 and the early 1930's.

Mr. Chairman, will you put those dates on again that reflect the changes that have been made in the last 6 years? Just as we then began.

Mr. Hume, yes, sir. The ray is the grain and that is shown in millions of tons and the blue is the cotton shown in millions of bales, which covers the period from 1922 to 1931. It takes the end of the crop year forward individual years.

Mr. Chairman of Wisconsin, does that mean that land in cotton has gone into rayon?

Mr. Hume, no, sir; this is rayocotton. Cotton today has a bag of rayocotton possibility, just to reduce some of the problems of cotton.

Mr. Hume, how responsive is rayon production to supply and the price of cotton? For example, about 50 percent of our steel mill is now steel rayon.

Do the rayon plants and those synthetic plants in fact buy up and down?

Mr. Hume, they have now demonstrated clear ability to adjust their production pretty quickly, and they generally do. They can really keep their prices somewhat in line with the cotton prices. They will adjust their production quickly.

Mr. Chairman, thank you again. We will now adjourn. (Whereupon, at 1:25 p.m., the hearing was closed.)

10732-1-10



PURCHASES OF PORK AND GRAVY

MARCH 24, 1961

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FRIDAY, MARCH 24, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENTAL OVERSIGHT AND
CONSUMER RELATIONS OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1310, New House Office Building, Hon. Paul C. Jones (chairman of the subcommittee) presiding.

Present: Representatives Jones of Missouri, Johnson of Wisconsin, Stubblefield, Dague, Dole, and Beermann.

Also present: Representative Reifel; Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; and John Heimburger, counsel.

Mr. JONES. The subcommittee will come to order.

The subcommittee has been called together this morning to have an informal hearing about a situation that has arisen out of the so-called pork and gravy food distribution program. We are trying this morning to determine if there are any changes which might be practical from the Department of Agriculture standpoint, to alleviate the effect that the pork buying program has had on the price of live hogs and various pork cuts.

The witnesses that will appear here this morning—there are three gentlemen—represent the, I guess you would say, the sausage industry, and we have two representatives of the Department of Agriculture.

It is my understanding that it is the contention of this particular segment of the trade that the Government's pork and gravy program has mostly affected various types of processing pork cuts and trimmings. This group has furnished me with some statistical material showing the market fluctuations, and, particularly, the increases in what is referred to as "90 percent lean trim" which is the part of the hog that is used in this pork and gravy program.

I will make that a part of the record.

(The table follows:)

The effect of the USDA's pork and gravy buying program on live hogs and various pork cuts

It is our contention that the Government pork and gravy program has mostly affected various types of processing pork cuts and trimmings. Below you will find market quotations taken from the National Provisioner. Historically, 8 pounds and up picnic, 80 percent lean trimmings, 95 percent lean trimmings, and blade meat are used by the processor. Most significant is the increase in cost of such items as 95 percent lean trimmings and blade meat, representing a cost increase of as much as 28 percent. On the other hand, certain cuts, such as hams, have increased only 1 cent a pound. In the meanwhile, live hog prices have ranged from one-fourth to one-half cent a pound increase since the start of the Government buying program which, we believe, lends further proof to our contention that all processing type of cuts have been affected to the detriment of the small processor.

	Picnics 6 to 8 pounds	Picnics 6 pounds and up	Picnics 8 pounds and up	80 per- cent lean trim	95 per- cent lean trim	Blade meat	Ham 10 to 12 pounds	Ham 16 to 18 pounds	Ham 25 pounds and up	Butts 4 to 8 pounds	Butts 8 pounds and up	Should- ers 16 pounds and up	Should- ers 16 pounds under	Pork loins under 12 pounds	Bellies 10 to 12 pounds	Live prices Chicago	
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Top	Average weight
Jan. 3	23 3/4	21	21	31 1/2	38	43 1/2	42	38	32	34 1/2	31	28	28	43 1/2	30	18	16.45
Jan. 9	24 1/2	20 1/2	20 1/2	32	38	43 1/2	43	39	34	33	31	28	25	43 1/2	30	18 1/4	16.60
Jan. 16	23 1/2	21	21	32	38	43 1/2	46	39 1/2	34	32	31	28	25	42	31 1/2	18 1/4	16.60
Jan. 23	24	22	22	33	38	43 1/2	46 1/2	39	33 1/2	32	31	28	25	44	31 1/2	18 1/2	16.90
Jan. 30	25 1/2	25 1/2	24 3/4	35 1/2	38 to 40	45	47 1/2	39 1/2	34 1/2	33 1/2	33	29	28 1/2	42 1/2	32	18 3/4	17.45
Feb. 6	27	27 1/2	26	38	40	46	45 1/2	39	35	34 1/2	33 1/2	31	29	44 1/2	31	19	17.65
Feb. 13	27	28	27	38	40	47	47	39 1/2	35 1/2	34 1/2	34	31	29	46	31 1/2	19	17.80
Feb. 20	27	28	27	40	48 1/2	49 1/2	45 1/2	39 1/2	35 1/2	34 1/2	33 1/2	31	30	43	31 1/2	19	17.75
Feb. 27	25	28	26	38	38	48 1/2	47	40	34 1/2	33 1/2	33	31	30	42 1/2	30	18 3/4	17.60
Mar. 6	25 1/4	27 1/2	26	36	36	49	48	41	33	34	31	29	29	42 1/2	29	18 1/2	17.30
Mar. 13	27	27 3/4	26 1/2	34	48 1/2	49	46 1/2	38 1/2	33 1/2	34	33	29	29	42 1/2	30 1/2	18 3/4	17.30
Mar. 20	27	28	28	34 1/2	48 1/2	49	43	37 1/2	33 1/2	35 1/2	33	30	30	41 1/2	29	18 3/4	17.40

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Mr. JONES. I think it is our purpose here this morning, at the suggestion of Chairman Cooley, that we discuss this with the Department and with the benefit of the information from the trade here represented, to determine if it would be possible to so amend the program to alleviate the alleged damage to the trade by this increase in cost of these particular cuts which the trade says is making an unbearable situation and increasing their production cost to the extent that it vitally affects their market.

I think, as I said, this will be a very informal hearing. I think we might start off by having one of the three gentlemen who are here, Mr. Donald P. Eckrich, from Kalamazoo, Mr. Richard P. Eckrich, from Fort Wayne, Ind., who are, incidentally, cousins, and Mr. Lorenze Neuhoﬀ III, from Kinston, N.C., to speak.

Which one of you gentlemen would like to present your problem to us, who would like to act as spokesman?

Mr. Donald P. Eckrich, if you will come to the table and tell us briefly what the problem is and possibly give us your suggestions as to what you think might be done to be helpful to your industry and at the same time not jeopardize the program that the Government is attempting to conduct to alleviate the suffering or the lack of food in the lower income and underprivileged groups.

STATEMENT OF DONALD P. ECKRICH, KALAMAZOO, MICH.; ACCOMPANIED BY RICHARD P. ECKRICH, FORT WAYNE, IND.; AND LORENZE NEUHOFF III, KINSTON, N.C.

Mr. DONALD ECKRICH. Thank you, Mr. Chairman.

First of all, I would like to say, regarding the status of our position that I am fully in accord with the program of feeding the needy that the Department has—that this is necessary. We are not arguing so much with the program as we are with the specifications called for in the program.

The specifications as they are now written on the pork and gravy, which the Government to date has purchased approximately 60 million pounds of, require that any cut of the hog may be used as long as the proper lean-fat ratio is maintained. This amounts to 85 percent lean and 15 percent fat in the trimming that goes into the pork and gravy.

Although they are written so that any cut of the hog can be used, anybody who bids on these contracts and holds the contract is naturally going to use the cut from the hog that will yield the lowest price lean.

Historically, the hogs come to market in different weight ranges and are graded according to the weight and the cuts from the hogs. They are, also, sold according to weight classifications.

In the processing industry, the heavier cuts of these hogs are used in our business and create and constitute our raw material.

Historically, the shoulder cuts consisting of the butt and picnic constitute the main ingredients for the processing industry. The heavier hams are, also, used in processing, but the items that are boned and yield 80 and 85 and 95 percent lean trimmings are, primarily, the picnic and the butt.

This is arrived at I would feel through the fact that these are historically always the cheapest cuts, in relation to, say, the picnic and with relationship to the loin and the ham.

I feel, as I mentioned earlier, that although the specifications read that any cut of the hog may be used, the net result of the program has been practically all of the material going into this canned product for the Government is coming from the picnic and the butt, or the shoulder meat from the hog. And that this is the primary ingredient of our industry.

Just as an example, a picnic prior to the announcement of the program was selling at 22 cents a pound, whereas today it is 28 and 28.5 cents. And in talking, in our own particular company's case, to our Chicago buyer, it is getting to the point where it is impossible to buy the material. And we have to go into boning hams that we require to make our products.

The 95 percent lean trimming which results from blade meat and other trimmings from the hog constitutes from 38 cents to 48.5 cents. Blade meat has gone from 43.5 cents to 49 cents. Shoulders, the heavier shoulders, have gone from 25 cents to 30 cents. And these prices are quoted on Chicago basis.

And actually, the intent of the program, I think, aside from feeding the needy, was, also, to lend price support to the livestock market.

Prices at the start of the program were 18.5 cents—I do not know what the market was today or yesterday—but the whole hog was 18.5 cents a week ago, showing that the top has not changed a bit. The average is up somewhat, but I think it can be argued at this time of the year we historically get into lesser marketings of hog products and it could be argued either way whether the program is being affected in maintaining the price of the live hog.

But coming back to the cuts themselves, due to the fact that the picnics and butt cuts have been raised so drastically, we, in the processing industry, have had to pay more for this material to get it away from the Government, so to speak, and we, like anybody else, are in a position where we have to compete for the consumer's dollar.

Mr. JOHNSON of Wisconsin. Could I ask one question?

Mr. DONALD ECKRICH. Surely.

Mr. JOHNSON of Wisconsin. Have the other parts of the hog which you do not buy gone down?

Mr. DONALD ECKRICH. Well, actually, I can say this: We will eventually get to the point that I would like to recommend that the specifications be changed so that the ham cuts be included, and, also, that the cuts be included as they come from the hog by their weights.

To specify this point, a ham, a 10- to 12-pound ham, which is, probably, the lightest weight ham that is marketed, at the start of this program, which was January 23, sold for 46.5 cents, Chicago basis, green. Today this same cut is selling for 43 cents.

In other words, this has dropped.

A 16 to 18 ham, which is, probably, the medium weight, where you start to get into the heavier weight ranges, on January 23, sold for 39 cents, and today this same ham is at 37.5 cents. This is as of Monday. I do not have an up-to-date price as to what the market closed yesterday.

The 25 and up hams, 33.5 cents as of January 23, and today 33.5 cents. There has been no change.

Pork loins, 12 and under, have gone from 44 cents to today where they are 41.5 cents. This has not changed a bit. Bellies, 31.5 cents to 29 cents. I mean a belly 10 to 12.

And the loins are under 12.

So, actually, the impact of the program has been on the picnic and the butt, and the lean trimmings.

Mr. JOHNSON of Wisconsin. Some other cuts which are not used have gone down?

Mr. DONALD ECKRICH. Yes, sir.

Mr. JOHNSON of Wisconsin. And some have stayed about the same?

Mr. DONALD ECKRICH. Yes, sir.

Mr. JOHNSON of Wisconsin. That is all. Thank you.

Mr. DONALD ECKRICH. Thank you.

As I was saying, our industry is in a position where we have to compete for our share of the consumer's dollar like everybody else. In the case of increasing our raw material in the case of a picnic, from 22 to 28 cents, which I think works out to something like 33 percent, roughly, it is just practically physically impossible for us to put the price, the selling price on our product up enough to come out with the margin which we feel as an industry we are entitled to.

I question whether the impact of the program, that is, the price of live hogs, is actually being supported by the program as is the intent of the program.

The question would arise as to what is the solution to this. Well, we feel that any program of the Government should be so designed that it has the least possible effect upon normal trade channels, normal distribution of cuts of meat, and normal pricing of these cuts of meat.

It is our further thought that if the specifications on this particular item, that is, pork and gravy, were amended, this situation could be alleviated.

And, also, there are, certainly, many other products or preparations which could be made available to these needy people, but by the same token, any specifications that are written for other products should be so written and so designed to still have this net effect of the least possible impact upon the processing industry and other segments of the industry in their historical relationships and distributive channels of these cuts of meat.

In the case of the pork and gravy specifications, if by chance it is thought these should be amended, so that the ham to be used as part of this specification, and if the intent is to support the price of hogs, it would, certainly, logically follow that if you are buying one cut that the specifications are changed so that you are in reality buying two cuts, then the possibility or the chance of your being able to support the hog market would, certainly, be much better than just buying one cut.

And we feel that rather than using just the picnic, that the entire shoulder should be used and the shoulders and the hams should be used in roughly in the same proportion as they come from the animal. I think this is a relationship that where the picnic and shoulder is about 45 percent and the ham cuts about 55 percent.

Is this correct, Mr. Pettus?

Mr. JONES. Let me ask the Department. We will have them on the stand in a minute. By making that change that you have suggested, how much would this reduce the lean content or increase the fat content?

Mr. DONALD ECKRICH. This part of the program, this would do nothing to the fat content of the specifications.

Mr. JONES. You would be using the entire shoulder and the entire ham, and part of the picnic that they are using now?

Mr. DONALD ECKRICH. Right, if you still require, Mr. Jones, that the product have an 85 percent lean content. This would change nothing on the specifications. However, it would, undoubtedly, increase the costs. Because the ham butt is more expensive.

Mr. JOHNSON of Wisconsin. On your chart your picnics were 21 cents at the start, and hams were 38 cents, and 32 cents. Would not that raise the cost to the Government?

Mr. DONALD ECKRICH. Yes, sir; that is true. We feel that this can be offset by using a fatter piece, raising the fat content of the ham slightly. Or if this is undesirable, adding more gravy to the product, so that the net cost to the Government would be the same.

And, also, it is our contention and our feeling that when these specifications are written, they should take cognizance of the fact of the weight ranges of the hog. In other words, historically—I think last year the number of hogs slaughtered was 60 some million hogs—to be exact, there were 66,152,000 hogs slaughtered under Federal inspection. Of these 5,600,000 would be sows, which would show the heavier type of cuts or, approximately, 8.5 percent. Of the balance of the remaining 60,240,000 hogs, we feel that, approximately, 6.5 percent would be heavy enough to show the heavier type cut. This figure could be argued, because, historically, the industry does not maintain statistics to show the exact weight. They work on averages, but I checked these down and I feel these are fairly close.

This makes a total of approximately 13 percent, so that when they specify a shoulder cut, 13 percent of the shoulder cuts, or approximately 13 percent, should come from the heavier weights, 16 and up, and the balance, or 87 percent, should come from the lighter weight shoulders, and the same on the ham part.

In using the lighter cuts, again it will increase the cost of the product. If the specifications are maintained as they now exist, I mean. However, I feel that this increase in cost could be offset by slightly increasing the permitted fat content of the cut, or if this should be undesirable, increasing the gravy content of the product.

I have a recommended proposal I would like to offer. It is:

A PROPOSAL TO CHANGE THE PORK AND GRAVY SPECIFICATIONS

As now written, the specifications for pork and gravy allow the use of lean meat derived from the loin, ham, butt, and/or picnic cuts as long as the proper lean-fat ratio is maintained. In actual practice, however, only the picnics and butts are used because they produce the lowest cost lean meat. The heavier end of these two cuts has always been the primary raw material of the meat processor. The pork and gravy program has pegged these at an artificially high price and has placed the Government in direct competition with him.

We recommend that whole shoulders be substituted for the picnics and butts. We feel that these, along with hams, should be used in approximately the same proportion and weight as they are derived from the live hog.

Last year, Federal inspected hog slaughter amounted to 66,152,000 head, of which 5,601,000, or approximately 8.5 percent, were sows which will yield a 16/up shoulder and an 18/up ham. Of the 60,240,000 barrows and gilts slaughtered, we feel that up to 6.5 percent would be heavy enough to yield these same weight cuts.

Therefore, we specifically recommend that the pork used be restricted to 10-15 percent of the 16/up pork shoulder meat, 33-38 percent of 16/down pork shoulder meat, 12-17 percent of 18/up ham meat, and 35-40 percent of 18/down ham meat.

Along that line, to talk about what the product is itself, the pork and gravy product, I endeavored to find other commercially acceptable, comparable products to pork and gravy that is now being purchased to feed the needy, and I find there is nothing that I was able to find on the market today that is comparable to this particular product.

Again, I say this is what I was able to find.

I did yesterday, when I learned you were going to hold this hearing, endeavor to have my laboratory work up some figures which I think are fairly accurate. We got a sample of the pork and gravy as it is now being put up by one of the packers. This is a 1 pound 13 ounce can. The ingredients are called pork, flour, salt, vegetable coloring, water, and flavoring.

In order to compare this to commercial preparations, we heated it and took the entire contents of the can out. We did not get all of the contents in the can. We heated the entire mass and ran it through a strainer in order to determine how much was gravy and how much solid.

In the case of the pork and gravy which is being purchased by the Government, we found the separation was negligible, in other words, it was practically all meat. And analyzing it, it amounted to 14½ percent, 15.7 percent protein, 61 percent moisture.

We picked up commercial samples, which I will refer to as samples 1, 2, and 3, if this will be satisfactory.

The commercial sample No. 1 was called Brown Gravy With Sliced Pork. The ingredients called for water, sliced pork, flour, starch, nonfat dry milk, salt, onion powder, coloring, monosodium glutamate, pepper. This was a 1-pound can. Out of the can we got, approximately, 15.5 ounces. Here I explain the other half ounce is inside of the can itself. Percent meat solids: Here again we heated the entire mass, passed it through a strainer to get the separation of the gravy from the meat solids.

The meat solids in this case, by volume, amounted to 28.5 percent of the product or of the can. The gravy amounted to 71.5 percent.

Mr. JOHNSON of Wisconsin. What was the first one?

Mr. DONALD ECKRICH. It was negligible—there was no separation.

Mr. JOHNSON of Wisconsin. You did not have any gravy in the first one?

Mr. DONALD ECKRICH. In this one, you have 71 percent gravy—yes, sir.

Mr. JOHNSON of Wisconsin. Is that the one that the Government is buying?

Mr. DONALD ECKRICH. This is a commercially acceptable product. It has consumer acceptance in normal trade channels.

Mr. JOHNSON of Wisconsin. I do not think the consumer will get as much food value out of that as he will out of the Government can, will he, with 71 percent gravy?

Mr. DONALD ECKRICH. No, sir. I think the point I am trying to make is that the product such as this one I referred to is being prepared and sold to the consumer, and being accepted by the consumer. So by changing these specifications to allow more fat, by the same token of allowing more gravy, certainly, I do not feel that this would detract from the value of the product or its acceptance by the consuming individuals receiving it from the Government. This is the point I am trying to establish. I have other samples here which I think show, approximately, the same type of product comparable to this, in percent of gravy.

Sample No. 2 was a 1-pound can. Out of this one we were able to get $15\frac{3}{4}$ ounces. The percent of meat was 21.4 percent. The percent of gravy, 78.6 percent.

Another sample out of this, with barbecue sauce, came out 23.5 percent meat. This was by the strainer method. Gravy and sauce, 76.5 percent.

Another was a baby food, labeled "Strained Pork and Pork Broth," and the ingredients were cooked pork, pork broth and salt. Fat was 6.1 percent, protein 14 percent, moisture 78 percent, making 98.1 percent, including 3.5 ounces for the broth. And the balance was in ash, et cetera.

And then a junior baby food, the same ingredients, and the fat content was 5.2 percent and the protein 15.6 percent and the moisture 76.4 percent. The total was 97.2 percent, and the balance was ash.

Again in closing, I would like to state that this program as it has been conceived and in effect, as it operates, has created a very severe hardship on the processing industry, because the net effect has been that our historical cuts that we use in our business has put us in direct competition with the Government as a buyer and purchaser, and has taken this material out of the market. It is still available for purchase, but it has resulted in our having to pay such a price for it that we are unable to adjust our selling prices sufficiently upward to come out with the margin that we feel is satisfactory for our industry to continue.

It is our feeling that the specifications should be amended so that the entire shoulder be used and, also, that the entire ham be part of the specifications and that the ham and shoulder be used in the approximate proportion as they come from the hog which, I think, would be roughly 55 percent ham and 45 percent shoulder, and that the use of the shoulder and the use of the ham be used in the proportionate weight that this comes from the hog.

The shoulders are marketed historically 16 and up and 16 and down, and on the heavier weight hams the breakpoint would, roughly, be 18 and up and 18 and down. And our figures, although they could be subject to question, I think are fairly accurate. This would mean that the shoulder cuts, the 16 and up shoulders would use approximately 13 percent and 87 percent for the 16 and down shoulders.

And in the ham specifications, we would use 87 percent 18 and down hams and 13 percent 18 and up hams.

Admittedly, the changing of the specifications for this would increase the cost of the program to the Government, but we feel that this can be offset by increasing the specifications, or if this is deemed to be undesirable, the gravy content of the product could be increased, which would still make it much better, I think, than any comparable product which is being sold and accepted by the consumer today.

That summarizes what I have to say.

Mr. JONES. Thank you, Mr. Eckrich. I think just because of the limited time we are going to have this morning, I am going to ask Mr. Pettus, who is the Director of the Livestock Division of the Agricultural Marketing Service of the Department of Agriculture, if he will come up. And if you can, comment on the statements of Mr. Eckrich and then give us an opportunity, perhaps, to acquaint ourselves more with this program that the Government is carrying on.

It might be well if you could start in by giving us a little of the background as to how this program was developed, and, also, the basis on which you wrote these specifications, and then comment on the effect that that has had on this particular industry.

These three gentlemen here, of course, are representing only a very small number of a rather large industry. And we are handicapped for time this morning because the House goes into session at 11.

I know all of us will have to leave here at 11 o'clock. We hope we can get as much information as we can during this very limited time.

You may proceed.

STATEMENT OF DAVID M. PETTUS, DIRECTOR, LIVESTOCK DIVISION, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY JOHN PIERCE, DEPUTY DIRECTOR

Mr. PETTUS. Thank you, Mr. Jones. I will be glad to try to do as you have just asked.

This program was developed pursuant to the directive of the President to secure meat for distribution to needy families.

In developing this program, we gave consideration to several kinds of meat which the Department has bought in the past, but because hog prices were lower relative to parity than those for beef, we felt this would be the most desirable type of product from the standpoint of helping producers as well as filling needs for the relief group. So we selected this particular product.

We had used it in the school lunch program before, and we knew it was quite acceptable. And we selected our specifications on this product so that people producing it could use the widest range of raw products possible and still come up with a very satisfactory finished product. We did this in order to get as many people bidding and offering this product as possible, and, also, so that it would be as easy for the bidder to met our specification requirements as possible, and, also, so that we would have the lowest priced product of this quality that the industry could make.

We recognized that in giving the industry the maximum leeway in using various cuts of the hog they are going to probably use the one that is the cheapest. This would have an effect on the price of this cheapest product, and it would probably cause some rise in its price. This in turn would perhaps work a hardship on some people who are using the product.

I know of no other way that we can run such a program without increasing the price of the product to the Government.

There are possibilities of buying other products which are acceptable. We considered the possibility of a product with more fat in it. Since the Department is distributing lard to the same people, we felt it was not desirable to have an excessive amount of fat in this product. We have another program for lard.

The Department, also, has a program for distributing other products such as flour to these people. We did not want any of the low-priced products put in a can which could be distributed cheaper some other way.

We recognized this program is having an adverse effect on some people in industry. We wish it did not. You either have to pay more for this product, if you have it made out of hams, or specify the other cuts, and you get no different product, really, in the final analysis, because we control the fat content by requiring no more than 15 percent in our specifications. And you simply end up choosing, I think, between spreading the requirements over the various cuts of the hog and paying a higher price, expending more Government funds for the same end product, or giving industry the widest range of choice and letting them use the cheapest cuts that they can to make this product.

Mr. JOHNSON of Wisconsin. If you decided to enlarge it as suggested, would you not start having a surplus of bacon?

Mr. PETTUS. Yes; perhaps, to a less marked degree, but you have the same problem. If you bought hams and shoulders and specified this, you, of course, complicate your controls by having to supervise the manufacture more closely and be sure that contractors are using exactly what you require. Then the other items such as loins and bacon might be in excess. You have the same principle, but, probably, it would not work as much of a hardship on an individual group such as the sausage makers.

Mr. JOHNSON of Wisconsin. It would not be practical to buy smoked bacons and hams to give out? They would be too large?

Mr. PETTUS. The biggest problem here, I think, is the keeping qualities. In distributing this we must have a product which will hold up in terms of several weeks or even months in distribution around the country. So a canned product is the only one in the meat line that has seemed practical to buy for this program.

The size of the product would be some problem, too. If you used hams, that would be a fairly large item to distribute to an individual.

Mr. JONES. One impression that I have gotten about this is that the product that we are distributing in this food program is one where we are actually distributing a higher quality product than is generally obtainable in the commercial outlets; is that not correct?

For instance, as I go to the supermarket and see the gravy with sliced pork and these other products, it seems to me they are not as high a quality as you are distributing.

Mr. PETTUS. I believe that is generally true, Congressman Jones. There is a purpose in distributing a high quality product. This program is using section 32 funds and it is under the part of section 32 which provides for diversion from normal trade channels in order to increase the acceptability and broaden market outlets for the product. And we have felt if we distribute a product that is not a very good one, we could damage the market for pork. On the other hand, if we distribute a product that is an unusually good one it will result in an expanded demand and wider outlets for pork products.

So this was intentional. We have deliberately tried to produce a very good product.

Mr. JONES. Is there any way—I mean I am sure that you are familiar with and have had complaints from the industry—is there any way that you see that this program might be changed where it would have less impact without affecting your program?

Mr. PETTUS. It is very easy to do this by increasing the price of the product; that is, specifying higher priced cuts. This is quite an easy way, if you are not concerned about the expenditures.

We have, also, been looking into the possibility of developing another product which would use other low-priced cuts such as hearts and tongues and, also, permitting, perhaps, beef and even mutton to be used in the product.

In other words, widening the total scope of meat that might be put into the product.

Again, in doing this, we face the problem of dislocation in terms of current prices and price relationships of whatever the cheapest product is in the group we permit to go into the product.

Mr. JONES. It is a case of supply and demand.

Mr. PETTUS. That is right.

Mr. JONES. It is like when I was a child they would give you the liver and now it is one of the more expensive cuts.

Mr. PETTUS. Right. So I think any product or any route that we go, if we are seeking to get the cheapest cost to the Government of a wholly satisfactory product—

Mr. JOHNSON of Wisconsin. From the information we have about the prices of the items you are using having gone up, the next time the Government takes bids you will have to pay more for your canned product, won't you?

Mr. PETTUS. We have been buying this for several weeks and the price is fairly well stabilized, I think.

Mr. JOHNSON of Wisconsin. The price has gone up to them.

Mr. PETTUS. The price has gone up to them.

Mr. JOHNSON of Wisconsin. It would go up to you, to some extent.

Mr. PETTUS. I think this price rose very early in the program. It has been fairly stable, I think, for several weeks now.

Mr. JONES. Any other questions?

Mr. JOHNSON of Wisconsin. I do not know, but I think the only way they can keep going is to try to figure out how to use the whole hog.

They are just using one item or so.

Mr. JONES. Any questions?

Mr. DAGUE. No questions.

Mr. DOLE. No questions.

Mr. HEIMBURGER. May I ask a question?

Mr. JONES. Mr. Heimburger, the counsel of our committee, has a question.

Mr. HEIMBURGER. I would like to ask Mr. Eckrich a question or two.

What are the main products you produce from these meats that we have been discussing?

Mr. DONALD ECKRICH. The primary items which we, as a company produce—and this would be true, I believe, of the industry—would be lean-type pork loins—luncheon meats.

Mr. HEIMBURGER. Luncheon meats.

Mr. DONALD ECKRICH. And sausage, ground sausage type products, called smoked sausage, smoky sausage, items of this nature, and then, also, if you are familiar, according to various parts of the country, they have various names, but I think a few general ones would be pickled olive pimento loaf, pimento loaf, honey loaf, items along this line.

Mr. HEIMBURGER. Called luncheon meats?

Mr. DONALD ECKRICH. Yes, sir.

Mr. HEIMBURGER. Have you had to increase the selling price of your product as the result of this situation?

Mr. DONALD ECKRICH. Yes, sir; we have moved our prices up from 1 to 5 cents a pound right across the board. And we feel that right today we are at a point where it is extremely difficult to go much further without pricing ourselves out of the market.

Mr. HEIMBURGER. Has there been sales resistance; has your volume declined?

Mr. DONALD ECKRICH. Yes, sir.

Mr. HEIMBURGER. Due to the price increase?

Mr. DONALD ECKRICH. The volume has declined. Also, our profits picture has very drastically declined.

Mr. HEIMBURGER. Your gross income has declined, also?

Mr. DONALD ECKRICH. Yes, sir.

Mr. HEIMBURGER. In other words, price times sales do not today compare with those before the program started?

Mr. DONALD ECKRICH. That is right.

Mr. HEIMBURGER. How much of a decrease has that been?

Mr. DONALD ECKRICH. This is in terms of actual figures, because we are historically the seasonal type of business. We sell lesser products at this time of the year, because weather is a factor, and other things, general economic conditions enter into it. But we feel very definitely the program has had an effect on our volume level.

Mr. RICHARD ECKRICH. You asked if our profits decreased in this particular period. When we look at profits for this period as compared to the last year's profits by weeks, our profits have declined from 75 to—I would say—55 percent of last year.

Mr. HEIMBURGER. This is your profit, not your gross?

Mr. RICHARD ECKRICH. This is profit I am talking of now. In other words, 25 percent and 45 percent out.

Mr. JOHNSON of Wisconsin. What percentage have the sales gone down?

Mr. RICHARD ECKRICH. Our sales would be in relationship to the prices that we have. Historically, the meat industry does not look at

sales as the important thing. It looks at it in terms of pounds sold. We look at pounds as our penetration into the market and the like.

Mr. JOHNSON of Wisconsin. Have they gone down?

Mr. RICHARD ECKRICH. Pounds?

Mr. JOHNSON of Wisconsin. Yes, sir.

Mr. RICHARD ECKRICH. Yes, sir; the first 2 weeks they were below last year, comparable figures.

Mr. JOHNSON of Wisconsin. What, percentagewise?

Mr. RICHARD ECKRICH. Four or five, somewhere in there.

Mr. JONES. Would it be a fair assumption to say this: that among the people to whom this Government product of the pork and gravy is being distributed, being in the lower income, underprivileged class, that those people ordinarily purchase a lot of this type of product that you manufacture? In other words, I have noticed that in my area, for instance, that among the day laborer and particularly in the lower income group, they are more inclined to buy the processed type of meat or luncheon goods rather than to buy the other product. And since the Government is supplying them with these products that would, naturally, have an effect on the sale of that particular type of meat. Is that a wrong impression that I have or not?

Mr. DONALD ECKRICH. This would be a definite correct assumption, that you would be safe in assuming that, yes.

Mr. JOHNSON of Wisconsin. As I undertood the program, I thought the people who were getting this product were not getting any meat at all. They were not getting it because they had no money to buy it with. What is your comment on that?

Mr. PETTUS. I am not qualified to say exactly who is getting this. This is a State-controlled operation. This meat is distributed to States, and they have the program and they qualify their people and they have to meet certain Federal program requirements. But I would say that they are not buying anything like a normal supply of meat. They may be buying and eating some meat. But they, certainly, are not buying the normal amount of meat that they would if they were employed. These are generally the unemployed groups and the people who are charity cases throughout the country.

Mr. JONES. I want to make this comment here, and maybe I am going off halfcocked, but it seems to me that in this Government program of distributing foodstuffs, I want the people to have a good product, of course, but I think that in this instance, the Government has taken the position that they want a product of such a high quality—and I have gotten the impression, and I hope I am wrong about this—that the Government is actually supplying on this free distribution program a higher quality product than can be purchased in the normal channels of trade, and by doing so, is actually increasing the price of products which the average consumer has to purchase.

I will admit that some of the products on the market are pretty poor. That is true. But I think that the Government has, probably, gone overboard in trying to develop a product that is excessively expensive think that we are going to have to get some more information from the cereal gravy that constitutes a part of the product, and without any greater cost to the Government.

While we are not going to have time to go into that this morning, I think that we are going to have to get some more information from the

Department on this. I would like for the other members of the subcommittee, if they will, to take the time to explore this a little further, during the day, while these gentlemen, representative of this industry, are here, to maybe have time to talk to members of the subcommittee, so that we can get this picture. This came to me yesterday afternoon at the request of the chairman. I am not as well informed as I would like to be or hope to be, but we are trying to do what we can to be at least helpful to an industry that might be in trouble.

As I understand it, Mr. Pettus, the Government takes bids each week.

MR. PETTUS. We have been following that practice.

MR. JONES. And, of course, your specifications are out and the amounts that you propose to purchase during this next week you will take those bids Monday, I understand.

MR. PETTUS. We take bids, yes, on this product every Monday.

MR. JONES. Every Monday?

MR. PETTUS. Yes.

MR. JONES. So this thing is urgent in a way, but we are not going to be, due to this legislative program on the floor of the House, we are not going to have time to go into it to the extent we would like to today, and I am sure that at an early date we will want to talk at greater length to representatives of the Department.

So if the members of the subcommittee will, since these gentlemen are here, take the time to get all information possible, it will be helpful. If you processors will take time and make an effort to contact other members of the subcommittee here and explain what your problem here is, it will also be helpful.

We want to see the Government's money conserved; I am interested in that; and I also want to see these people who are not being fed; I want to help them, but I do not want to do it at the expense of an industry that I feel has had a good record and that needs to be given some consideration.

Unless some other member of the subcommittee has something to add at this time, I think we will have to adjourn this hearing. I want to thank you for being here and I hope that you gentlemen from the industry will get acquainted with members of the committee who are here and introduce yourselves, and possibly have an opportunity to talk to them sometime during the day.

MR. DONALD ECKRICH. Thank you very much.

MR. JONES. The subcommittee stands adjourned.

(Whereupon, at 11 a.m., the subcommittee was adjourned.)

H.R. 1021
EXTEND DEFINITION OF PEANUTS FOR BOILING

MAY 2, 1961

EXTEND DEFINITION OF PENALTY FOR BOILING
H.L. 1021

MAY 2, 1901

EXTEND DEFINITION OF PEANUTS FOR BOILING

TUESDAY, MAY 2, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room 1310, New House Office Building, Hon. Clark W. Thompson (chairman of the subcommittee) presiding.

Present: Representatives Thompson (presiding), Findley, Beermann, and Reifel.

Also present: Representative Matthews.

Staff members present: Christine S. Gallagher, clerk; Hyde H. Murray, assistant clerk; John Heimbürger, counsel; and Francis H. LeMay, consultant.

Mr. THOMPSON. The committee will be in order.

The Subcommittee on Oilseeds and Rice is meeting to consider the bill, H.R. 1021, by Mr. Matthews.

(The bill referred to is as follows:)

[H.R. 1021, 87th Cong., 1st sess.]

A BILL To extend for two years the definition of "peanuts" which is now in effect under the Agricultural Adjustment Act of 1938

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of the Act entitled "An Act to amend the peanut marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, and for other purposes", approved August 13, 1957 (7 U.S.C., sec. 1359 note), is amended by striking out "and" and by inserting after "1961" the following: ", 1962, and 1963".

Mr. THOMPSON. Will the Department representatives take the witness chair and explain the bill, and express their opinions, please?

STATEMENT OF JAMES E. THIGPEN, DIRECTOR, OILS AND PEANUTS DIVISION, COMMODITY STABILIZATION SERVICE, USDA

Mr. THIGPEN. I am James E. Thigpen, the Oils and Peanut Division Director, Department of Agriculture.

The Department, Mr. Chairman, has submitted a report on the bill, and has no objection to the bill, which extends the period of exemption for these green peanuts from the allotment marketing and quota legislation for 2 years, or through 1963.

The production of green peanuts for boiling is relatively small in the Southeastern States. Our figures indicate that there are perhaps 2,400 or 3,000 acres. They enter the market more as a green vegetable

or novelty item than they do as peanuts as we normally think about them, the dry, roasted peanuts or salted peanuts or peanut butter.

We think we can administer the allotment and quota program more easily with the exemption than we can administer it without it.

Mr. MATTHEWS. Mr. Chairman?

Mr. THOMPSON. Mr. Matthews.

Mr. MATTHEWS. May I say for our colleagues who may not be familiar with this particular problem—and I believe Mr. Thigpen will agree with me—that the boiled peanut is, as Mr. Thigpen has said, a different commodity from the roasted peanut.

In my section of the country, there are a few small family farmers, I would say maybe 200 or 300, that plant peanuts just for boiling purposes. They take them and put the peanuts in big containers and boil them and sell them at athletic contests. They make a little extra money that way.

Now, then, there are a couple of small independent industries, as I understand, especially in Florida, that have developed as a result of this. They take these peanuts and put them in cans. And they are considered more or less a vegetable rather than a peanut.

As Mr. Thigpen has said, there is a small acreage, about 2,500 acres, and we feel that it offers no opposition to the producers of peanuts for roasting purposes and for the other purposes that peanuts are produced for—and as far as I know, there was no opposition to the bill.

I have noticed the chairman has had a request for some folks to be heard.

But, Mr. Thigpen, do you know of any opposition in the last several years that has been expressed to this measure?

Mr. THIGPEN. No, sir; I know of no opposition.

Mr. MATTHEWS. As I recall, we have had this bill in effect, or this law in effect for the past 4 years.

We have just extended it on a 2-year basis each time, so that if anyone would object to it why he would have an opportunity every 2 years to come up and express the objection.

Mr. Thigpen, would the Department have any opposition to extending this on a permanent basis?

Mr. THIGPEN. I can only say that the Department suggestion is that the extension be limited again at this time. That is the Department position.

Mr. THOMPSON. This is a 2-year extension?

Mr. MATTHEWS. Yes, sir; this particular bill is just for a 2-year extension; that is all the bill asks for.

Mr. THOMPSON. The request for time that I have comes from Mr. Abbitt over here in Virginia on behalf of his people. He has asked that we set it at a later time; he did not have a chance to get here today; he wants us to meet at a later time to hear them.

I suppose here is nothing to do but hear them.

I will take it up with Mr. Abbitt. As a matter of fact—I have it up with him now—to find out what time would be agreeable.

I suppose the thing for us to do would be to hear the opposition and then weigh the bill on its merits.

Have you any other suggestions, Mr. Matthews?

Mr. MATTHEWS. No, sir. I do not know whether we have any other witnesses to be heard today.

Mr. Chairman, let me say, I did not try to get a large number of witnesses here for the bill. I feel that I could get, of course, a goodly number. I am hopeful that we can overcome any doubts in the minds of Mr. Abbott's producers, and I just do not frankly believe that they are going to oppose this bill in the final analysis; I just think they want to be heard.

Mr. THOMPSON. I think perhaps you are right.

Let me ask you, Mr. Thigpen, do you have any idea of the total acreage in peanuts in the United States?

Mr. THIGPEN. The total that is harvested for normal commercial edible uses is about a million and a half acres, Mr. Chairman.

Mr. THOMPSON. This is 2,500 to 3,000 acres?

Mr. THIGPEN. At the present time.

Mr. THOMPSON. Out of a million and a half?

Mr. THIGPEN. I would say, Mr. Chairman, there is a possibility that this acreage could expand. I grew up in this peanut area, and I know what the boiled peanuts are. I don't know whether you are familiar with the green field peas or blackeyed peas, as we speak of them, and, of course, dried.

Well, a green peanut, as contrasted with one which is normally dried is similar to a green pea or black-eyed pea. And with refrigeration, and with freezing, it is possible that this might be developed as an item that would enter the market more as a vegetable in that sense.

And I would think that there is a possibility that the people in the Virginia-Carolina area might even be interested in that.

And I don't know of any opposition to this. There may be some, but I am not aware of it.

Mr. THOMPSON. I have right much peanut production in my district, but I have never heard them mention boiled peanuts or green peanuts.

I thought if there was some serious opposition they would write me some letters, but I haven't had any at all.

Mr. FINDLEY. The effect of this legislation would be to exclude the green peanuts from the allotment and marketing quota legislation; is that correct?

Mr. THOMPSON. That is correct, on the theory that it is not in contradiction with the provisions of the legislation.

Is that correct?

Mr. THIGPEN. That is correct; yes.

Mr. MATTHEWS. May I be recognized, Mr. Chairman?

We have about 2,500 acres of these peanuts planted for boiling purposes against 1,500,000 acres in total peanut production.

Mr. Chairman, may I ask permission to file for the record a copy of the Department's report on this bill?

Mr. THOMPSON. Without objection, it will be filed.

(The document referred to is as follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., April 21, 1961.

HON. HAROLD D. COOLEY,
Chairman, Committee on Agriculture,
House of Representatives.

DEAR CONGRESSMAN COOLEY: This is in reply to your request of March 2, 1961, for a report on H.R. 1021, a bill to amend the Agricultural Adjustment Act of 1938, as amended, to extend for 2 years the definition of "peanuts" which is now in effect on a temporary basis and will expire with the 1961 crop of peanuts.

This Department recommends that the bill be passed with the amendment hereinafter suggested.

The Act of August 13, 1957, was amended by the Act of September 22, 1959. Therefore, it is suggested that the bill be amended by striking out everything after the figure "1957" in line 6 and substituting the following: "(71 Stat. 344), as amended by the Act of September 22, 1959 (73 Stat. 642) is further amended by striking out "and" and by inserting after "1961" the following: "1962, and 1963."

The bill provides for a 2-year extension of the definition of "peanuts" which is now contained in section 359(c) of the Agricultural Adjustment Act of 1938, as amended. This definition excludes from the provision of acreage allotments and marketing quotas any peanuts which are marked before drying or removal of moisture, either by natural or artificial means for consumption exclusively as boiled peanuts.

The acreage planted to peanuts and utilized before drying or removal of moisture for consumption as boiled peanuts is found primarily in Alabama, Florida, Georgia, and South Carolina. The acreage of peanuts, utilized for this purpose, has not increased materially, therefore, has no material effect on the marketing of peanuts in regular commercial channels.

The enactment of this bill would not result in a need for additional appropriations.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

(S) ORVILLE L. FREEMAN.

Mr. THOMPSON. Gentlemen, have you any further questions?

Mr. REIFEL. I was wondering, Mr. Chairman, what disadvantage it would be to the producers of these peanuts that are used as boiled peanuts later if this extension was given, or if they were covered in the allotment arrangement for the other commercial type of peanut production.

Mr. THIGPEN. We did, and didn't, have them covered, Mr. Congressman, under the other provisions of law, the problem being that this production, particularly in Florida, tended to come in in some sections where they grow vegetables as a sort of an alternate crop. And the allotment provisions of the regular marketing quota legislation are so restrictive that we had difficulty in establishing allotments that would permit the growing and sale of these peanuts.

And that is why I say, in effect, that if this is not competitive—and we don't think it is, based on what we have seen thus far, with the regular commercial peanut production—it is easier to administer the law with this exemption than it is without it, unless someone tries to abuse this, but we think it can be administered reasonably well.

Mr. REIFEL. It would be an administrative convenience if you could leave them out, that would be one advantage of it?

Mr. THIGPEN. Yes.

Mr. REIFEL. Thank you, that is all.

Mr. THOMPSON. Mr. Beermann?

Mr. BEERMANN. Mr. Chairman, I am not too well acquainted with the peanut program, so I will have to ask one question.

Mr. THOMPSON. You are looking at a chairman that is not very familiar with it.

Mr. BEERMANN. How can a grower or anyone who is going to administer this program tell the difference in a field whether they are going to be boiled peanuts or roasted peanuts?

Mr. THOMPSON. I will ask my expert adviser, Mr. Matthews, to answer that question.

Mr. MATTHEWS. I am going to refer to Mr. Thigpen. I believe I can give a reasonable answer, but, Mr. Thigpen, I would be grateful if you would give us an answer.

Mr. THIGPEN. Mr. Chairman, I think you might understand Congressman Matthews' explanation better than mine, but I will try.

We measure the acreage of peanuts under the allotment quota programs. And when a farmer says, "I have 5 acres of peanuts here which are going to be harvested and sold green," we make the appropriate check to see that those peanuts are harvested and sold green, and, in effect, do not enter the market in the usual manner.

I say some abuse of that is possible, but we think it can be administered reasonably well.

Mr. BEERMANN. I eat peanuts, the roasted ones, but where do you use the boiled peanuts?

Mr. THIGPEN. Well, go back to the farm when the plant is still green, a little ahead of the time that you would normally harvest for regular commercial edible use, as we think of it, and pull up a plant and pick those peanuts off when they are green. And the way we fix them, we put them in a pot of water with some salt and we boil them until they are tender. And then you shell them and eat them as a boiled item. And, as I say, it is a little bit like a green field pea or black-eyed pea.

Now, for commercial purposes in the future with refrigeration and freezing, and so on, there is a possibility that they may mechanically remove the hulls from some of these green peanuts and move them in as a fresh item.

Now, they don't keep very long in that form; they deteriorate very quickly unless they are refrigerated. And even after you boil them you don't want to leave them sitting around too many days, I think, as Congressman Matthews can tell you. And the canned peanuts which have been boiled are not as good as the ones which are fresh. But still it has found some market.

Mr. MATTHEWS. Thank you.

Mr. THOMPSON. Any other questions, gentlemen?

If not, the committee will stand adjourned, subject to call, when we can learn the pleasure of Mr. Abbitt and his people. Is that agreeable with you?

Mr. MATTHEWS. Yes, sir.

Thank you, gentlemen of the committee.

(Whereupon, at 2:15 p.m., the committee recessed, subject to the call of the Chair.)

Mr. Matthews: I am going to refer to Mr. Tibbitts. I believe I can give a reasonable answer, but Mr. Tibbitts, I would be grateful if you would give us an answer.

Mr. Tibbitts: Mr. Chairman, I think you might understand Congressman Matthews' explanation better than mine, but I will try.

We measure the acreage of peanuts under the allotment program. And when a farmer says "I have 5 acres of peanuts," which are going to be harvested and sold green, we make the appropriate check to see that those peanuts are harvested and sold green, and in effect, do not enter the market in the usual manner.

I say some shade of that is possible, but we think it can be administered reasonably well.

Mr. Tibbitts: I eat peanuts, the roasted ones, but where do you use the boiled peanuts?

Mr. Tibbitts: Well, go back to the farm when the plant is still green, a little ahead of the time that you would normally harvest for regular commercial culture use, as we think of it, and pull up a plant and pick those peanuts off when they are green. And the way we fix them is put them in a pot of water with some salt and we boil them until they are tender. And then you shell them and eat them as a boiled item. And as I said, it is a little bit like a green field pea or chick-pea.

Now, for commercial purposes in the future with refrigeration and freezing, and so on, there is a possibility that they may mechanically remove the hulls from some of these green peanuts and move them in as a fresh item.

Now, they don't keep very long in that form; they deteriorate very quickly unless they are refrigerated. And even after you boil them you don't want to leave them sitting around too many days. I think Congressman Matthews can tell you. And the canned peanuts which have been boiled are not as good as the ones which are fresh. But still it has been some market.

Mr. Matthews: Thank you.

Mr. Tibbitts: Any other questions gentlemen? If not, the committee will stand adjourned, subject to call, when we can learn the pleasure of Mr. Abbott and his people. Is that agreeable with you?

Mr. Matthews: Yes, sir.

Thank you gentlemen of the committee.

(Whereupon, at 5:15 p.m., the committee recessed, subject to the call of the Chair.)

H.R. 3294 and 3462, S. 650 and 1617
NEW SPONSORS UNDER WATERSHED PROTECTION
AND FLOOD PREVENTION ACT

JUNE 26, 1961

NEW SPONSORS UNDER WATERSHED PROTECTION
AND FLOOD PREVENTION ACT

JUNE 26, 1961

NEW SPONSORS UNDER WATERSHED PROTECTION AND FLOOD PREVENTION ACT

MONDAY, JUNE 26, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

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

Present: Representatives Poage, Gathings, Johnson of Wisconsin, Breeding, Stubblefield, McIntire, Short, Harvey, and Dole.

Also present: Representatives Hagen and Harding, Martha Hannah, staff, and John Heimburger, counsel.

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

The subcommittee is met this morning to consider H.R. 3294 and related bills.

(H.R. 3294, H.R. 3462, S. 650, and S. 1617, and reports follows.)

[H.R. 3294, 87th Cong., 1st sess.]

A BILL To amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 of the Watershed Protection and Flood Prevention Act is amended by inserting immediately before the period at the end thereof the following: “; or any irrigation or reservoir company, water users’ association, or similar organization having such authority that may be approved by the Secretary”.

[H.R. 3462, 87th Cong., 1st sess.]

A BILL To amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 of the Watershed Protection and Flood Prevention Act is amended by inserting immediately before the period at the end thereof the following: “; or any irrigation or reservoir company, water users’ association, or similar organization having such authority that may be approved by the Secretary”.

[S. 650, 87th Cong., 1st sess.]

AN ACT To amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 of the Watershed Protection and Flood Prevention Act is amended by inserting

immediately before the period at the end thereof the following: “; or any irrigation or reservoir company, water users’ association, or similar organization having such authority that may be approved by the Secretary”.

Passed the Senate June 12, 1961.

Attest:

FELTON M. JOHNSTON,
Secretary.

[S. 1617, 87th Cong., 1st sess.]

A BILL To amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 of the the Watershed Protection and Flood Prevention Act is amended by inserting immediately before the period at the end thereof the following: “; or any irrigation or reservoir company, water users’ association, lateral or ditch company organized not for profit and engaged in storing, distribution, or drainage of water, or similar organization having such authority that may be approved by the Secretary”.

[S. Rept. 357, 87th Cong., 1st sess.]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 650), to amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder, having considered the same, report thereon with a recommendation that it do pass without amendment.

This bill would permit irrigation or reservoir companies, water users’ associations, or similar organizations approved by the Secretary of Agriculture to sponsor works of improvement under the Watershed Protection and Flood Prevention Act, if they have authority under State law to carry out, maintain, and operate such works of improvement. At present the act is construed to restrict such sponsorship to public agencies. The agencies which would be added by the bill are not public agencies, although they do have certain aspects of public agencies and do have authority under State law to carry out the work of improvement. At present they act in substance as sponsors through arrangements with qualified sponsors. The bill would permit the Soil Conservation Service to deal with them directly.

Enactment of the bill would not result in any additional Federal expenditure.

DEPARTMENTAL VIEWS

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 9, 1961.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR SENATOR ELLENDER: This is in reply to your letter of February 1, 1961, requesting the comments of this Department on S. 650, a bill to amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder.

This Department recommends that the bill be enacted.

The bill would amend section 2 of the Watershed Protection and Flood Prevention Act (Public Law 566, 83d Cong., as amended) to permit any irrigation or reservoir company, water users’ association, or similar organization having authority under State law to carry out, maintain, and operate works of improvement that may be approved by the Secretary to sponsor works of improvement under the act.

Under the definition of “local organization” contained in Public Law 566, only public agencies having authority under State law to carry out, maintain and operate works of improvement can qualify as sponsors of watershed projects. Certain types of agencies commonly found in the Western States such as irrigation and reservoir companies, water users’ associations, and other similar organizations, while having certain aspects of public agencies and having authority under State law to carry out, maintain and operate works of improve-

ment, still are not eligible to serve as project sponsors. These organizations qualify under the reclamation laws, and are eligible for loans from the Farmers Home Administration under the Water Facilities Act. It is believed that they should be permitted to qualify as "local organizations" under Public Law 566.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

CHARLES S. MURPHY, *Acting Secretary.*

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

WATERSHED PROTECTION AND FLOOD PREVENTION ACT

SEC. 2. For the purposes of this Act, the following terms shall mean :

The "Secretary"—the Secretary of Agriculture of the United States.

"Works of improvement"—any undertaking for—

(1) flood prevention (including structural and land-treatment measures) or

(2) the conservation, development, utilization, and disposal of water in watershed or subwatershed areas not exceeding two hundred and fifty thousand acres and not including any single structure which provides more than five thousand acre-feet of floodwater detention capacity, and more than twenty-five thousand acre-feet of total capacity. No appropriation shall be made for any plan involving an estimated Federal contribution to construction costs in excess of \$250,000, or which includes any structure which provides more than twenty-five hundred acre-feet of total capacity unless such plan has been approved by resolutions adopted by the appropriate committees of the Senate and House of Representatives: *Provided*, That in the case of any plan involving no single structure providing more than 4,000 acre-feet of total capacity the appropriate committees shall be the Committee on Agriculture and Forestry of the Senate and the Committee on Agriculture of the House of Representatives and in the case of any plan involving any single structure of more than 4,000 acre-feet of total capacity the appropriate committees shall be the Committee on Public Works of the Senate and the Committee on Public Works of the House of Representatives, respectively. A number of such subwatersheds when they are component parts of a larger watershed may be planned together when the local sponsoring organizations so desire.

"Local organization"—any State, political subdivision thereof, soil or water conservation district, flood prevention or control district, or combinations thereof, or any other agency having authority under State law to carry out, maintain and operate the works of improvement; *or any irrigation or reservoir company, water users' association, or similar organization having such authority that may be approved by the Secretary*

DEPARTMENT OF AGRICULTURE,
Washington, D.C., May 9, 1961.

HON. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives.*

DEAR CONGRESSMAN COOLEY: This is in reply to your letter of March 2, 1961, requesting the comments of this Department on H.R. 3294, a bill "to amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement thereunder."

This Department recommends that the bill be enacted.

The bill would amend section 2 of the Watershed Protection and Flood Prevention Act (Public Law 566, 83d Cong., as amended) to permit any irrigation or reservoir company, water users' association, or similar organization having authority under State law to carry out, maintain, and operate works of improvement that may be approved by the Secretary to sponsor works of improvement under the act.

Under the definition of "local organization" contained in Public Law 566, only public agencies having authority under State law to carry out, maintain, and operate works of improvement can qualify as sponsors of watershed projects. Certain types of agencies commonly found in the Western States such as irrigation and reservoir companies, water users' associations, and other similar organizations, while having certain aspects of public agencies and having authority under State law to carry out, maintain, and operate works of improvement, still are not eligible to serve as project sponsors. These organizations qualify under the reclamation laws, and are eligible for loans from the Farmers Home Administration under the Water Facilities Act. It is believed that they should be permitted to qualify as "local organizations" under Public Law 566.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

(S) CHARLES S. MURPHY,
Acting Secretary.

Mr. POAGE. I have a list of witnesses here.

I wonder, Mr. Harding, if you would rather take over and present the witnesses as you see fit. I see you have some of your colleagues with you. I will be glad to hear any of them. Suppose you just take over, Mr. Harding, and present this case as you want to present it. And then anybody who has any objection to it will have a chance to be heard.

Mr. HARDING. Mr. Chairman, I think it would be best to hear from the Department first and then from the sponsors of the bill.

Mr. POAGE. Mr. Brown.

STATEMENT OF CARL BROWN, ASSISTANT TO THE ADMINISTRATOR, SOIL CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY L. M. ADAMS, OFFICE OF GENERAL COUNSEL

Mr. BROWN. Mr. Chairman, the bills to which you referred have been recommended favorably by the Department, and we believe that this amendment to Public Law 566 would enable the program to be carried out more effectively in a number of areas by permitting certain types of organizations not now eligible for sponsorship of these projects to become eligible.

We have collected material from the 1959 agricultural census which shows there are 9,480 organizations formed to carry out irrigation and drainage enterprises which are not legal districts within the terminology of Public Law 566 as it now stands. There are 4,162 districts that now qualify as being legal districts.

Mr. JOHNSON of Wisconsin. Is that irrigation districts?

Mr. BROWN. Irrigation and drainage, Mr. Johnson.

Among these organizations which cannot now sponsor these projects, there are 8,052 irrigation companies and 1,428 drainage companies which this legislation would make eligible for cosponsorship.

The problem that we have encountered—and this has come up in seven projects which are in the planning stage in the Western States of Idaho, Utah, and Colorado—is that these projects are sponsored

by soil conservation districts but a certain part of the work consists of irrigation improvements of canals or distribution systems or reservoirs, and the soil conservation district is not in a position to undertake that part of the work; that is, they are not in a position to secure loans which are necessary to carry out the local share of the responsibility.

Mr. POAGE. Most of the agencies that you are speaking of are actually public agencies, are they not?

Mr. BROWN. They are mutual companies for the most part, Mr. Poage.

Mr. POAGE. But there are some of them that are private corporations created for profit and operating strictly as profit corporations, are there not?

Mr. BROWN. I think there is a limited number of them—about 291 according to the 1959 census—that are operated essentially as private utilities, but the ones that we are dealing with now are mutual companies in which a group—

Mr. POAGE. I think we all understand the mutual companies, and I think everybody wants to give them the right to sponsor, but does not the language of this bill actually include private corporations, organized and operated for profit?

I happen to have been in the Rio Grande Valley last Wednesday and I know in the early days down there the first companies down there were all private corporations and they operated for whatever they could make out. In more recent years they have consolidated them into large public irrigation and drainage districts. But for a long time they sold water just like they sold kerosene and gasoline down there for just whatever you could get for it.

Do we want to allow an agency that simply is out for what it can make out of it to sponsor these projects?

Mr. BROWN. That certainly is not the intent, Mr. Poage.

Mr. POAGE. Is that not what this wording does?

Mr. BROWN. The Secretary has made a record of his intentions not to deal with an organization of that character in a report which he made to the Senate Committee on Agriculture and Forestry on the bill introduced by Senator Allott, on S. 1617, which did have included in it some phraseology not in the bills before you which reads—

organized not for profit engaged in selling, distribution, and drainage of water.

Mr. POAGE. Why should we not put those words in the bill?

Mr. BROWN. Mr. Chairman, as I understand it, this gets into a rather complicated legal question in that many companies are organized under laws that permit them to make a profit but have adopted a set of bylaws under which they are nonprofit, in fact and in method of operation; and it was our feeling in the Department that to put in the language "organized not for profit" might unduly restrict the ability of the Department to deal with organizations of a character that were, in fact, mutual companies as they were operated when any revenues derived from them accrued and went solely to the beneficiaries of their operation.

Mr. JOHNSON of Wisconsin. How would it be to put in "not operating for profit?"

Mr. BROWN. I do not know that I am prepared to answer that, Mr. Johnson. We have with us our representative from the Office of the General Counsel, Mr. L. M. Adams.

Would you care to make any additional comments on this, Mr. Adams?

Mr. ADAMS. I think, Mr. Johnson, while the language as it stands in the bill that passed the Senate might permit the Secretary to cooperate with these organizations that are actually operated for profit, it was hoped that this problem could be handled from an administrative standpoint and a policy established by which any company that was actually being operated for profit could not qualify under the policies that the Secretary expects to lay down.

Mr. POAGE. Is it sound policy for the Congress to pass legislation that authorizes doing things that we do not want done? I do not think any member of this committee wants to let a private corporation sponsor one of these agencies. Do you?

Mr. ADAMS. If they are not operated for profit. Some of these companies that Mr. Brown spoke about are private corporations and if you put in the words "not organized for profit," then that would exclude those companies.

Mr. POAGE. What harm will happen if we do that?

Mr. ADAMS. There seems to be a good deal of interest—

Mr. POAGE. Who is actually hurt? Have you got any private corporations that want to sponsor these things?

Mr. BROWN. No, sir; not to my knowledge.

Mr. POAGE. Mr. Harding?

Mr. HARDING. No, sir.

Mr. POAGE. Can we limit this thing to nonprofit agencies? Mr. King?

Mr. KING. I would be satisfied.

Mr. PETERSON. I do not have any on my list.

Mr. POAGE. What in the world do we open this door for if we just invite a bunch of boogers—what do we do it for? I do not want a railroad company sponsoring one of these conservation districts; I do not want a bank to sponsor one.

Mr. HARVEY. Is it not entirely possible that although the policy might be properly interpreted by the present Secretary, that in other years it might be otherwise?

Mr. POAGE. I think that is unquestionably true.

We have a watershed program, a good one, going, and we would like to extend it as far as we can to everybody in the United States that needs it, so long as it does not break down the program. But with all due respect to you gentlemen, I would rather keep you out than to break down the program that we have which is operating so well in the country. Whenever you let this thing become a profitmaking proposition, you just about have killed it.

Mr. BROWN. Might I read one paragraph from the Secretary's letter which states the position that we have to stand on here?

Mr. POAGE. Yes; read it and then tell us about it when you get through.

Mr. BROWN. The Secretary says in respect to S. 1617:

Certain types of agencies commonly found in the Western States, such as irrigation and reservoir companies, water users' associations, lateral and ditch companies, and other similar organizations, while having certain aspects of public agencies and having authority under State law to carry out, maintain, and operate works of improvement, still are not eligible to serve as project sponsors. These organizations qualify under the reclamation laws, and are eligible for loans from the Farmers Home Administration under the Water Facilities Act and regulations issued thereunder. We believe that they should be permitted to qualify as "local organizations" under the Watershed Protection and Flood Prevention Act. However, as in the case of water facilities loans, this Department would not proposed to make loans under section 8 of the Watershed Protection and Flood Prevention Act to any organization actually operated for profit. Even though an organization is incorporated under general profit corporations' statutes, it should be eligible to receive a loan under section 8 of the act if, under the organization bylaws or under agreements with stockholders, the service it renders in connection with the project is on a nonprofit basis.

Mr. POAGE. That is fine. That is what I want to do; that is, I think, what the committee wants to do; but why do we not say it in the bill? What is the objection to that? We wrote into the Farmers Home what the Secretary said.

Mr. ADAMS. That is a matter of regulation.

Mr. POAGE. Why can we not write this in the bill?

Mr. ADAMS. I think you can.

Mr. POAGE. Let us do it. Have you any objection? Do any of you authors have any objection to writing into the bill what the Secretary said he wants to do—what he says he has been doing—what the past Secretary was doing?

Why do we not just say that so that some future Secretary will not change that policy? That letter of the Secretary does not bind the next Secretary of Agriculture.

Mr. BROWN. I believe this word "operated" as suggested by Mr. Johnson, rather than "organized," would be better.

Mr. POAGE. I do not have any objection to Mr. Johnson's suggestion.

Mr. BROWN. This properly would clarify the legal standpoint, which is the only basis of the reasoning of the Department in opposing the terminology "organized for profit" because this would exclude various companies not in fact operated for profit.

Mr. JOHNSON of Wisconsin. Take, for instance, a cooperative. They are organized and return profits to all of their members, everybody that deals with them.

Mr. POAGE. They are not organized for profit.

Mr. JOHNSON of Wisconsin. They are not organized for profit. Do you consider them organized for profit?

Mr. BROWN. The laws of each of the 17 Western States vary so greatly that it is almost impossible to determine which would and which would not qualify under that phraseology.

Mr. POAGE. Would it not be as easy to administer under the phraseology of the law as under the phraseology of the Secretary's letter? The Secretary is clearly going to make that determination now. If we write it in the law it will be just as easy for him to do, as if we do not, because he says he will do it anyhow.

Mr. JOHNSON of Wisconsin. Would it change the intent of the act by adding this? We have flood control projects which start as reservoirs for storing up water for irrigation. That is what I am

interested in. Under the Small Watershed Act, projects are supposed to stop floods. Are we going to use this out in the West as a way to get more money for irrigation? We do not have enough money to take care of all of the applications coming in. Are we going to have an additional list of people waiting for watershed money? That is the thing that is bothering me.

Mr. BROWN. No, sir; I do not believe that would be the case, Mr. Johnson, because as I pointed out, there are certain classes of districts that are qualified now under the irrigation and drainage laws as public agencies, about 4,162, but this other class which have the same purposes, the same kind of improvements, and so forth, do not qualify.

This is because of the way the act is now worded.

Mr. JOHNSON of Wisconsin. Is this the reason for it? They have organized a conservation district and they want to use it because they are organized and they have members; is that the purpose of this?

Mr. BROWN. All of these projects are sponsored by soil conservation districts. Soil conservation districts are not generally eligible to obtain loans. And the primary purpose here is to qualify these companies where they are financially responsible to obtain a loan for carrying out the local share of the cost of certain features of the project. These would all be cosponsored—all of these projects are jointly sponsored by the soil conservation district and some other kind of organization that can raise the money.

Mr. JOHNSON of Wisconsin. Are they going to store up water for irrigation? Is that the purpose of this?

Mr. BROWN. This amendment would not affect the purpose or nature or scope of the project in any way.

Mr. JOHNSON of Wisconsin. The conservation district will be financially responsible for the loan?

Mr. BROWN. They are not eligible to obtain a loan under the laws under which they are organized.

Mr. JOHNSON of Wisconsin. In the nonirrigated areas of the United States they are not too responsible, either—they are just organized, they do not have a lot of assets. How are you going to take care of that?

Mr. BROWN. The financial responsibility, throughout the United States, for obtaining easement and rights-of-way that have to be purchased or wherever there is a sharing on construction costs it is being borne generally by other kinds of organizations such as a watershed district or municipality or county government or some other organization that is eligible to obtain loans under the laws under which they are created.

Mr. SHORT. Is this bill in some degree to get away from the basic intent of the small watershed project program? If I understand it rightly, in the first place it was a further implementation of the basic soil conservation concept.

To clarify this question, perhaps Mr. King and Mr. Harding could give us a specific example of the instance in which this type of additional authority is needed. It seems to me that would clarify this so far as I am concerned.

Mr. HARDING. The example that I have here is that of the Cedar Mesa Reservoir and Canal Co., near Twin Falls, Idaho, and it is true that this does implement their irrigation capacity. They already have their irrigation facilities set up but, due to the deterioration and the loss of soil erosion and other means, they are losing their water.

This amendment would enable this company to obtain an FHA loan under the Watershed Protection and Flood Control Act to restore their irrigation facilities.

Mr. JOHNSON of Wisconsin. Under the Small Watershed Act, the Federal Government puts up the dam. Are you contemplating building it or borrowing money to build it?

Mr. HARDING. They are contemplating borrowing the money from the FHA to build it. In addition they will receive a Federal grant.

Mr. BROWN. Mr. Harding, if I might explain this project in a little more detail, we do have a tentative work plan. The work plan has been completed for about a year on this project. And it has been held up because of this lack of authority. The Cedar Creek watershed comprises some 126,000 acres. About 5 percent of it is cropland, and this is irrigated. The remainder of the land is 91-percent range and 4-percent forest.

The improvements needed are in the nature of irrigation conveyance and distribution facilities. The Cedar Mesa Reservoir and Canal Co. many years ago, built a reservoir. They have their water storage already. The proposed structural improvements relate to irrigation and consist of 2 canal diversions, nine-tenths of a mile of canal enlargements, 31 open ditch structures, and 1.5 miles of concrete flume.

The total cost of the structural improvements is estimated to be \$601,000, of which the local people, that is, the local company, expects to put up \$330,000, and the Federal Government would put up \$270,000.

Mr. HAGEN. Would that be repaid?

Mr. BROWN. No. The \$270,000 would be the Federal contribution.

Mr. HAGEN. That would not be a loan; that would be a donation?

Mr. BROWN. That is right. This would be a grant. And the loan would be for \$330,000 or some part of that—I am not sure that they want to borrow that entire amount.

Mr. JOHNSON of Wisconsin. How does that help flood control?

Mr. BROWN. There is no problem that I can—

Mr. POAGE. How does it get under the act?

Mr. BROWN. The Watershed Protection and Flood Prevention Act was amended by Public Law 1018 in 1956, to authorize irrigation, drainage, municipal water supply, and, in 1958, fish and wildlife development as integral parts of any project.

Mr. JOHNSON of Wisconsin. I understood that they had to stand the cost of it themselves under the programs. There was no advance for those purposes. Maybe I misunderstood.

Mr. BROWN. There is no Federal contribution to municipal water supply. The Federal contribution to irrigation and drainage was set, based on the legislative history of Public Law 1018, on the basis of being comparable with available Federal assistance under the Small Reclamation Project Act. You will recall that under that act the Federal Government will make a loan, without interest, for a period of up to 50 years.

Mr. JOHNSON of Wisconsin. That would not come under the Small Watershed Act.

Mr. BROWN. Under the Watershed Act the provision is for a grant and a loan with interest, so that the total amount of Federal contribution will be a parallel with what it would be if a 50-year loan were made for the entire amount, without interest. And under this provision they would obtain a loan for some part of these \$330,000 repayable with interest at the rates prescribed in the act; and they would obtain a grant of the \$270,000 which includes not just the construction but, also, the technical assistance that would be provided in designing these improvements, and so forth.

Mr. JOHNSON of Wisconsin. I had the idea in my mind they had floods in that area. They do have dams to hold the water back up in the hills, so that it does not flood the area. Are the irrigation companies going to sponsor these kind of projects?

It looks to me like we are getting into irrigation projects with watershed money.

Mr. BROWN. It has been our position, Mr. Johnson, in trying to carry out this program under the existing law, that every watershed in the country which has a water-management problem is entitled to assistance under this act. Those problems may be wholly flood prevention, they may be wholly drainage, or wholly irrigation, or some combination of these. And no watershed should be denied the benefits of assistance under the act. In this particular case there is no flood problem because there is no development valley land. This irrigated land, as I understand it, is benchland. The water is taken out of this reservoir which is in a rather narrow canyon and carried around through canals and put on the benchland, and, therefore, there is no flood problem.

Mr. SHORT. In other words, Mr. Brown, this Federal assistance would be utilized to improve the irrigation structures below the dam. There would be no application of the principle of land treatment structures above the dam to try, perhaps, to carry out soil-conserving and water-conserving practices on the watershed itself. All of this money would be spent below the dam.

Mr. BROWN. Let me point this out, Mr. Short. There is a program of land treatment, including range improvement, above the major reservoir, and, also, an extensive program of conservation practices on the irrigated land.

In other words, the land-treatment phase of the program is not in any sense neglected. There is not any need for structures on the watershed above the reservoir however.

Mr. SHORT. What land-treatment practice is there being applied on the watershed area?

Mr. BROWN. Range improvement, such as controlled grazing and distribution of water facilities to make the range more usable, probably some seeding and that kind of thing. It is all native range and a little bit of forest up there. No cultivated land on the watershed above the reservoir at all.

Mr. JOHNSON of Wisconsin. One thing I would like to ask: Why can't they get this money from the Irrigation Act—why do they have to come to the small watershed part to get the money?

Mr. BROWN. I do not believe I can specifically answer that. It is the policy of the Department that before an application is received for this kind of an improvement that they must have investigated the possibility of getting assistance through the Small Reclamation Projects Act.

Mr. JOHNSON of Wisconsin. I am not trying to be against irrigation, but I remember when we put the small watershed program through in 1956, we had to get an irrigation bill through ahead of it.

Mr. POAGE. I think that is right.

Mr. BROWN. There are certain situations in which the Small Reclamation Project Act, obviously, provides the best solution; and there are other situations, we believe, in which the Watershed Act provides the best solution. This comes about particularly where there is an extensive need, as there is in this project, for improvement on the irrigated farms. The onfarm management improvement of the distribution system and the use of water, and so forth, cannot be provided under the Small Reclamation Projects Act. That is confined to making a loan for an improvement of the given structure.

For example, if the need in this watershed was confined solely to improvements in the construction of this reservoir up there, it would not be the kind of thing that we would be helping on.

Mr. POAGE. What effect will this have upon financing of the FHA? You have only had about \$2 million this year. The FHA is the one that makes the loans. I believe it only had about \$2 million available for this purpose all over the United States, did it not?

Mr. BROWN. That is correct. The amount so far has been sufficient to meet all of the requests for loans. No project has been held up to this date as a result of inadequate loan funds.

Mr. POAGE. As of last year there had been not one single project of this kind. We had the FHA people up here last year and they could not point to one single project on which they had made loans of this land.

Mr. BROWN. They have made a substantial number of loans now, Mr. Poage. I do not recall the exact number.

Mr. POAGE. I certainly do not criticize them for making them. I hope they will make more. Actually, my criticism was that they were so slow in getting started.

Mr. BROWN. I am informed there is now something over \$3 million in approved FHA loans. That much has been obligated.

Mr. POAGE. Has that been sufficient?

Mr. BROWN. That includes one in Brady, Tex.

Mr. POAGE. That is about \$1.5 million.

Mr. BROWN. It is, about.

Mr. POAGE. So, about half of it is in that district—in the 21st Congressional District of Texas. That is all right. I have no criticism of it.

Mr. HAGEN. As I understand it, this adds no new authority as far as public districts are concerned.

Mr. BROWN. That is right.

Mr. HAGEN. However, with respect to a mutual water company, a private corporation, new authority would be granted.

Mr. BROWN. That is right. Yes, sir.

Mr. HAGEN. So you are going to qualify a private corporation for eligibility such as that granted public districts.

Mr. BROWN. That is right.

Mr. HAGEN. Thank you. That is the basic principle.

Mr. POAGE. Before you came in we had discussion to the effect you could include corporations for profit, and the Secretary has stated that he intends to confine this to nonprofit corporations. I think it is the view of the committee that we wanted it confined to nonprofit organizations. We raised the question why it should not be written into the bill. I understand there is not any reason why it should not be written into the bill. None of the sponsors, apparently, object to writing it into the bill that loans be confined to nonprofit corporations.

Mr. HAGEN. How will a mutual water company fall in that category? In a sense they are a private corporation, they do not operate the water company itself for a profit but they sell water.

Mr. POAGE. They are nonprofit.

Mr. HAGEN. And the cooperatives are in that class.

Mr. POAGE. They do not operate for profit. They put all of their earnings back into the operation. Mr. Johnson wants to confine it to those that do not operate for a profit.

The Secretary in his letter states that they are doing that now. It is no more burdensome on them to put that in the bill, than to proceed as they are at this time.

Mr. DOLE. As to these, the same kinds of projects, do Mr. King and Mr. Peterson have other projects? I wonder if we might have some indication of what they are.

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

STATEMENT OF HON. DAVID S. KING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. KING. Mr. Chairman, I am not prepared to discuss the specifics of it. As a matter of fact, most of the benefits from this bill would accrue in the other district represented by Mr. Peterson, the First Congressional District.

Mine is not a large agricultural district, but I am vitally interested in this. And the representatives of the mutual irrigation companies have assured me that they do have projects in which they are vitally interested and they would very much like this expedited.

As you gentlemen know, we have a very serious drought situation in our State which is general throughout the West, but Utah is particularly hard hit; as a matter of fact, the Secretary of Agriculture has declared all 29 counties in Utah, the entire State, to be a drought and disaster area. So it is general throughout the entire State.

We have been assured that if this amendment can be put through that they can take advantage and avail themselves of it immediately and this would not take years. Some have suggested last Friday that it might be 3 to 5 years, but it would be a matter of months, not years. In fact, if we hurried, we can probably get some of the benefits this year, but, at least, in any event we would begin to get the benefits early next year and perhaps even this year.

Mr. DOLE. Does anybody have any information on the specific projects and cost of the different projects?

MR. KING. I am sure that could be furnished but I did not feel that was particularly pertinent here because this being just a technical amendment, we are not really concerned with the type of project because this bill does not purport in any way to alter the policy as to the type of project. It just opens up the door to one more class of persons who can avail themselves of the provisions of the act.

Might I add, in that connection, the irrigation companies that are interested in this are definitely mutual companies. I have represented several of them professionally before coming to Congress. I suppose the law in Utah is comparable to that in most Western States, but these irrigation companies in effect hold the title to the water or the water rights in trust for the members, for the shareholders of the companies. They really are trustees; that is all they are. They gather up these water rights and hold them in trust and manage them as a unit.

But as I understand it, they do not even have the right to sell water rights unless they get the unanimous consent of all of the shareholders.

Of course, they are nonprofit strictly. They have no power, no corporate authority to charge rates other than just to cover operating expenses and to build up such reserves as may be necessary for capital expansion and maintenance.

MR. POAGE. In some places there are still privately owned irrigation companies in operation. You would not want the U.S. Government to subsidize them at about 50 percent for rehabilitating their structure, would you?

MR. KING. I agree 100 percent with the distinguished chairman. I absolutely do not. That is correct. And as far as I know, there are no profit companies that are interested in this. If there are, they have not come to my attention. But I can assure this subcommittee that those who have come to me on behalf of this bill have been the nonprofit mutual irrigation companies.

In fact, I do not know whether we have any in Utah or many of the profit nature. I would not say there are not any, but I will say that all of my dealings have been with the nonprofit mutual variety.

MR. POAGE. I want to make it plain that we do not want—and I think this is the view of the committee, too—we do not want to run privately owned irrigation companies out of business, but neither do we think it is good to have a policy of subsidizing them.

MR. KING. I agree with that, Mr. Chairman.

MR. POAGE. Any further questions?

MR. DOLE. Mr. Peterson might comment on the facts.

STATEMENT OF HON. M. BLAINE PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

MR. PETERSON. I appreciate the opportunity of being here, Mr. Chairman. I, too, am in the position that I was not so concerned with the operation of the Department in granting or turning down the loans. I had assumed their qualification under existing rules and regulations.

And in this connection, there are seven projects that are vital to my district and are now on file or being held up with this large group of other applications. And of those seven, I recognize a number of them who are not engaged for private profit.

I, too, agree that the limitation should be placed in there, or, at least, I have no objection to that.

I am concerned, however, with the drought condition existing there. We would like to see the law amended so that these applications can be processed without going through and obtaining sponsorship or otherwise. That was the primary purpose of being here.

I prepared a statement for the record and ask leave that be made a part of the record here.

Mr. POAGE. Without objection it will be made a part of the record. (The statement follows:)

STATEMENT OF M. BLAINE PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF UTAH

Mr. Chairman and members, I appear before you to ask your favorable consideration for H.R. 3462, a bill which I introduced to amend the Watershed Protection and Flood Prevention Act to permit certain new organizations to sponsor works of improvement, specifically water users associations, irrigation companies, and reservoir companies as approved by the Secretary of Agriculture.

In our Intermountain States many watershed projects must be carried out through improvements in reservoirs, irrigation wells, and distribution systems owned by private organizations.

Sponsors, as defined in the Watershed and Flood Prevention Act have not been interpreted to include water users associations and such private organizations. As a result, in the past it has been necessary to work out a complicated device whereby the State, the soil conservation district, or other qualified public agency sponsors the project. H.R. 3462 would eliminate the necessity for this device.

Pending at the present time are seven applications from my district which cannot qualify under the present law without resorting to the complicated arrangement of getting a qualified public agency to sponsor the project:

- (1) Blanding Irrigation Co.
- (2) Dry Fork Sinks project of Uintah Water District.
- (3) Antelope Irrigation Co. project.
- (4) High Creek project of Richmond Irrigation Co. and three others.
- (5) Levan Irrigation Co.
- (6) Upper Kanab project of Kanab Irrigation Co.
- (7) Minersville project of Minersville Irrigation Co. and the Rockyford Irrigation Co.

S. 650, an identical companion bill, introduced by Senator Moss of Utah, was passed by the Senate on June 12. As noted in the Senate committee report on the companion bill, the enactment of the bill would not result in any additional Federal expenditure.

Water is a precious facility. Among all our natural resources, our water resources are not only basic, but rapidly increasing. This in the face of one of the worst droughts our Intermountain States have ever experienced. As the Chief of the U.S. Forest Service pointed out recently, "the use of water for irrigation has doubled in the past 20 years and for domestic and industrial purposes has tripled during the same period. Not only do we have more people to use water; we use water in new ways, for purposes undreamed of only a few years ago."

Mr. Chairman and members of this committee, I ask that H.R. 3462 be reported favorably, as its enactment would undoubtedly expedite the seven badly needed projects which I have listed.

Mr. POAGE. What Mr. Dole wants to know is just what you actually have in mind doing. What specific things?

Mr. PETERSON. I will have to provide that for you, Mr. Chairman. As I say, our difficulty here was that we thought this was a technical amendment to existing law and we did not get into the departmental function on what the type of aid would be or the qualifications. We thought that was well established. If the committee desires that, we will be glad to furnish it.

(The information follows:)

SUPPLEMENTAL STATEMENT OF M. BLAINE PETERSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF UTAH

Mr. Chairman and members, when I appeared before your subcommittee on Monday, June 26, to urge favorable consideration for H.R. 3462, I made reference to seven pending projects in my district which I hoped might be expedited by the proposed amendment of the Watershed Protection and Flood Prevention Act.

I appreciate the privilege extended to me at that time of furnishing the committee with details of the several projects:

(1) Blanding Irrigation Co. seeks to obtain primarily a reduction of flood and sediment damage to irrigation canals, ditches, diversions, and distribution systems. Application also desires reduction of sediment, floodwater, and pollution control of municipal water supply.

The Department of Agriculture states that Public Law 566 was intended to cover projects of this type where feasibility can be established.

In this case no new or extension of present irrigation facilities are sought.

(2) Dry Fork Sinks watershed project: The applicant, Uintah Water Conservancy District, wishes to provide for the conveyance of water from the upper reaches of Dry Fork Creek across a limestone area and back into the lower reaches of the watershed to prevent water loss in the sink area during high flows. Also, floodwater reduction is desired from numerous side canyons.

Public Law 566 was intended to cover these objectives.

This appears to be an addition to present facilities.

(3) Sowers-Antelope watershed: The applicant, Antelope Irrigation Co., wants water retarding structures to prevent floods and structures to supply water for irrigation.

Some new facilities are planned and effectiveness of present facilities will be increased.

Public Law 566 was intended to cover projects of this type.

(4) High Creek watershed: The applicant, Richmond Irrigation Co., together with three others, wants flood prevention and watershed protection, irrigation canal renovation, installation of pipelines for consolidated irrigation water supply, canal linings, well developments, and diversion dams and canal headworks.

This appears to be largely a renovation and extension of present facilities.

Public Law 566 was intended to cover projects of this type.

(5) Levan watershed project: The applicant, Levan Irrigation Co., seeks flood prevention and watershed protection; amended application to include a structure to store about 2,500 acre-feet of irrigation water and to improve present irrigation distribution systems; also wells to supplement existing water supply were included.

This application requests an addition to present facilities and improvement of present facilities by means of reduction of existing floodwater and sediment damage.

Public Law 566 was intended to cover projects of this type.

(6) Upper Kanab Creek watershed: The applicant, Kanab Irrigation Co., seeks flood prevention, reduction of sediment to existing irrigation facilities, and more even flow to enable farmers to utilize water which is normally lost during periods of high runoff.

No new facilities or extension of present facilities are intended—more protection to existing facilities.

Public Law 566 was intended to cover projects of this type.

(7) Minersville watershed: The applicants, Minersville Irrigation Co. and Rocky Ford Irrigation Co., desire flood prevention and watershed protection, 20 miles of canal lining to prevent water seepage, and installation of necessary control structures and measuring flumes to more efficiently use the irrigation water supply to farmlands serviced by the two irrigation companies.

No new facilities for irrigation are included in the application; only improvements to present facilities.

Public Law 566 was intended to cover projects of this type.

Mr. HARVEY. I think it would be very helpful to the committee if we had more than just the one that has been presented of the type of projects that are being given consideration if the law were amended.

Mr. PETERSON. I imagine on that, Mr. Harvey, what you want is the Department's interpretation of what type of aid is being given.

Mr. POAGE. What we want is specific illustrations of projects.

We want to know where it is, how big it is, how much water falls there and what it will cost us.

Mr. HARVEY. Specific examples.

Mr. PETERSON. We have our seven and we will get that to the committee.

Mr. JOHNSON of Wisconsin. Maybe the Department knows about them.

Mr. BROWN. I do not have any details that I could give here, Mr. Johnson.

Mr. JOHNSON of Wisconsin. Are these projects irrigation districts or what type of projects are they?

Mr. PETERSON. I am frank to say most of these are irrigation.

Mr. POAGE. That is what this bill is for.

Mr. PETERSON. I am afraid so. And I do not like to enter into that without more information.

Mr. JOHNSON of Wisconsin. Maybe I have a wrong idea of it. I thought, when the Small Watershed Act was passed, the irrigation people had their own act. It looks to me as if I am wrong—it looks to me as if the irrigation people are going to use all of their own money and use the small watershed money, too. That is what I am afraid of.

Mr. PETERSON. In our district our problem is not one of flood control, I will say candidly. It is to preserve and conserve the water in the watershed. On these seven projects that I am primarily concerned with, we will give you full detail.

Mr. JOHNSON of Wisconsin. Are any of these projects that come under the irrigation laws?

Mr. BROWN. I would not know the answer to that offhand. As I say, our policy is that the local organizations must have investigated the possibility of achieving their objective through that act before we begin to provide any assistance even in planning.

Mr. JOHNSON of Wisconsin. I do not want to seem to be finding fault with you, but don't we have how many thousands of projects waiting? The amount of money we are getting out of the Appropriations Committee is not sufficient to meet them.

Now, if we add a whole line of projects we will be in worse shape than now.

Mr. BROWN. This is not in fact adding projects. I think this is a misconception that it is adding projects. It is simply trying to qualify certain kinds of organizations to carry out the financial responsibility. In these Western States there are already many districts which do qualify for carrying out these kinds of projects.

Mr. JOHNSON of Wisconsin. What opens it up?

Mr. BROWN. Public Law 566 that provides for irrigation for drainage and municipal water supplies. There are many of these Western States in which there is very little in the way of significant need for flood prevention actually. We have found this particularly true in Idaho.

Mr. POAGE. These projects, of course, that we are talking about now would qualify if at the present time you had governmental agencies doing this—they would qualify, would they not?

Mr. BROWN. That is right.

Mr. POAGE. And even under the present law, those who want to qualify can establish a State organized irrigation and drainage district. Even where you have one of these private cooperative enterprises, at the present time you could establish a State organized irrigation and/or drainage district.

Mr. BROWN. That is right.

Mr. POAGE. It involves a little more complication, and so forth, to do it that way, and all this bill really seeks to achieve is to avoid the necessity of doing a lot of useless acts. That is all I can see that would be achieved by the bills. They do need this. The law presently authorizes the making of these loans. It would be a quite complicated procedure, and very expensive, paying lawyers and abstractors, by going through the present procedure whereas this bill would provide a shortcut. We must guard against turning it over to private profit operations, but I think that objection can be taken care of easily enough.

Mr. SHORT. Would this authority make it possible for the further expenditure on land that was presently within a reclamation project which has already had considerable expense applied to it in the construction of facilities, the original irrigation dam, and so forth?

Mr. BROWN. No, sir, Mr. Short, this would not be applicable at all to Federal reclamation projects, if that is what you mean, because this is not the kind of an organization with which the Federal Government contracts on major Federal reclamation projects.

This would be for cooperation with these privately developed corporations to carry out the improvement that they have been making for many years.

Mr. HARDING. I can see from the questions that members of the committee are worried about this Small Reclamation Project Act. This project proposed by the Cedar Mesa Reservoir & Canal Co. is not a reclamation project. They could not qualify for assistance under the Bureau of Reclamation's Small Projects Act. This proposal will not reclaim any new land. I know the problem that we are having with agricultural surpluses but this project will not contribute to them. Furthermore, there has not been a single small reclamation project approved under that act in the State of Idaho. In this project we have been talking about here, these people have their irrigation system and are farming their land. It was brought out they have to transport the water around the mountains through canals and laterals and their system is worn out. They cannot get money from the Bureau of Reclamation. It is land that is presently cultivated and they have to have this legislation to qualify.

That is their problem. If it was a piece of desert that was not producing anything at all, and was not even under cultivation, and this same group of people went in, they could get up to \$5 million from the Bureau of Reclamation to bring it under cultivation. But inasmuch as it has been in production for years and years, and cannot qualify for Small Projects Act assistance, this is the only assistance available for them.

Mr. JOHNSON of Wisconsin. I do not want you to feel that I am against the irrigation people. I thought they had one of the best groups organized in Congress.

Mr. HARDING. I feel sorry for agricultural people who live on farms in the reclamation States who sometimes are ostracized from consideration because we feel that reclamation takes care of everybody out there, but these people who are not on reclamation projects and have developed their own land and dug their own wells and built their own reservoirs sometimes find an unsympathetic Congress because we think that everyone in the reclamation States participate in reclamation legislation. This is not true.

Mr. JOHNSON of Wisconsin. I want to add one further word. I can see from the discussion here that in 1956 we added irrigation to the Small Watershed Act.

Mr. SHORT. Let me ask this question: If this were a new idea, this existing project, could the small watershed program under present authorization, be used to do the whole job in the first place?

It would seem to me that what we are talking about would fit right into that. What is the difference between what could have been a project in the first place and implementing and carrying it on after it is built or old and needs repair?

It seems to me that is the thing that we have to consider. Is this something that would have fitted into the small watershed program under existing authority in the first place?

Mr. HARDING. I am sure that it would. If it were a new idea and it was new land, and so forth, the Department of Agriculture would say, "Go on over to the Department of the Interior and the Bureau of Reclamation," and they would just not have qualified.

Mr. SHORT. This gets back to what I was talking about a while ago, to me, as I visualize this, you need the combination of the water control, erosion control facilities above your principal dam. It seems to me all you are doing here is trying to expand this thing and make the project a little bit more practical and workable by carrying out the intent of the project below the dam. I am not criticizing that. I am trying to make this look a little more practicable to apply it to a situation like this.

Mr. HARDING. I have not been down to look at the dam, but let me tell you some of these dams are built so high up in the mountains out in Idaho that if you get above them you are up in the clouds. We believe in storing the water as close as we can to its source. We then come down with the laterals and canals and transmission facilities from reservoirs and rivers. It is not something that is down in its entirety in the farm-irrigation system.

Mr. POAGE. Any further questions?

If not, we thank you.

We have Mr. Ecker here, from Senator Allott's office, who wishes to be heard. I know that the Senator has some views that he wants to express.

STATEMENT OF BOYD ECKER, ADMINISTRATIVE ASSISTANT TO SENATOR GORDON ALLOTT OF COLORADO

Mr. ECKER. I am Senator Allott's legislative assistant.

I simply want, on behalf of Senator Allott, to indicate to this subcommittee that the Senator is unable to be here this morning. He would have liked to have been.

I think that the problem which he raised has been already covered in the discussion that has taken place this morning.

The original bill, as introduced by Senator Moss, and the identical bill being considered here before this committee, struck the Senator as being complete in every detail except one.

He felt that it would be significant and helpful so far as the Western States were concerned to include, within this technical amendment, lateral or ditch companies. And accordingly, he introduced his bill which in effect sought to do just that by adding the following language to those which are already covered in the bill; it includes or would include—

lateral or ditch companies organized, not for profit, and engaged in storing, distribution, or drainage of water.

The purpose of the Senator's language was simply to spell out, as clearly as possible, the intention of this technical amendment rather than leaving it to speculation, what would be included in the language "similiar organizations."

He felt there are certain situations which occur in the Western States in which lateral companies which are a subsidiary—by that I mean not in the technical sense, but are an offshoot of the main ditch which are companies in their own rights which, if these other organizations should qualify, he felt that it would be better to permit the language to appear in the bill to include them specifically.

Mr. POAGE. How could you have a lateral ditch organization that would not be either an irrigation company or water-users' association?

Mr. ECKER. I do not think you could, Mr. Chairman. Senator Allott's objective—and he is the water lawyer, and not me—but it was simply to recognize what is the situation in these Western States, namely, that off of the main ditch, there are these incorporated lateral ditch companies.

Mr. POAGE. I understand that, but it seems to me that they are clearly irrigation companies or at least water-user associations—they are one of the two, even if they are on a lateral. I know what you mean by those one-ditch companies—here is a creek coming out of the mountains and they ran a ditch out on it—that is all they have got is one ditch.

Mr. ECKER. Yes.

Mr. POAGE. Are they a water-user association?

Mr. ECKER. Yes, sir, they are. It is simply an attempt to spell out just as clearly as possible the intent which I am sure is that of the committee and of the Congress if this legislation were enacted. It has no other objective than that. But he simply felt that it was worthwhile to assure that the Department would properly administer this act according to its objectives if it were passed. And that it would not be possible to take the position that, by inclusion of certain specific organizations, the others are thereby excluded.

Mr. BREEDING. The remarks you made about ditches and laterals is the principal problem that we have. Is it not? In some cases you have no reservoir, all you have are ditches and laterals. It seems to me that it is important that they should be included.

Mr. ECKER. He certainly agrees with you; yes, sir.

Mr. BREEDING. Thank you.

Mr. ECKER. I might indicate, also, one other thing.

Mr. BREEDING. It is really important in this legislation because there is that question that, in some cases there is no reservoir.

Mr. POAGE. If the laterals are operated by a mutual company, or by a water-users' association, you include the water-users' association because you could not have a lateral or ditch companies without having a water-user association. All I am saying is that it does not add anything to what is already in the bill.

Mr. ECKER. If I might say this—

Mr. POAGE. We certainly want to include the lateral and ditch companies but you could not have one without having a water-user association or without having an irrigation company—one of the two.

Mr. DOLE. That is correct.

Mr. ECKER. The Senator simply wanted to point up this problem which could exist, namely, if the Department administering this act were to take the view that it is a question of interpretation as to whether or not a lateral company qualifies as a sponsor, that he felt it would be better to indicate that they, along with the other organizations, could do so. I mean, recognizing the fact, occasionally there are certain differences which might be of a technical nature, but, nevertheless, the Department, for example, has indicated that they, certainly, would consider the lateral or a ditch company as being within the purview of this amendment.

Since they recognize that fact, it simply appears that it would do no harm and might do considerable good in avoiding any problem of interpretation if this were included.

And the Senator was, also, interested in the language "operated not for profit."

Mr. POAGE. That was one of the problems. I certainly want that language in here. If I understand it, if you adopted the Senator's proposal it reads "or any irrigation or reservoir, water-user association, lateral or ditch company, organized not for profit." Do the words "organized not for profit" relate only to lateral or to the ditch companies? I am afraid the way it is written you have not limited all types of companies. You could still make a loan to an irrigation or reservoir company that was organized for profit.

Mr. JOHNSON of Wisconsin. Put in "not organized for profit" and start out with that and then put in the other.

Mr. POAGE. Mr. Adams, what is your view of that?

Mr. ADAMS. I do not think you would want to use the term "not organized for profit." You want to say "not operated for profit."

Mr. POAGE. You would get the same thing, "operated not for profit."

Mr. ADAMS. Yes.

Mr. POAGE. Do you think if we adopted this amendment someone could come along and construe that "operated not for profit" relates only to lateral and ditch companies?

Mr. ADAMS. I think that is exactly right.

Mr. POAGE. I think so, too. Then you would have reservoir and the like, operated for profit. How would you avoid that? That is what I want to know.

Mr. ADAMS. I think you would have to revise that language and make it clear that the "operated not for profit" applies to all of them.

Mr. POAGE. That is right.

Mr. ADAMS. Possibly, we would have to use it at the end of it, so as to include other similar organizations.

Mr. SHORT. "Operated not for profit."

Mr. ADAMS. We should probably say "irrigation or reservoir companies, water users' associations, lateral or ditch companies, or other similar organizations, operated not for profit."

Offhand it seems to me that might accomplish the purpose. I think we could work the language out all right.

Mr. DOLE. And add "organizations shall not be organized for profit."

Mr. POAGE. Not eligible.

Mr. DOLE. That might be added. To put it in, in that fashion.

Mr. ADAMS. We could do that with a proviso "Provided none of these organizations shall be eligible if they are operated for profit."

Mr. POAGE. That would take care of it. That would get it.

Are there any further questions?

Mr. SHORT. Do irrigation districts or lateral districts or whatever it might be, sponsor watershed projects out there?

Mr. BROWN. Mr. Short, theoretically, yes, in accordance with the law; in practice, the Department will not provide assistance on a single purpose undertaking. This is relevant to your previous question, there must be a need for a watershed development. Therefore, our policy has been that a soil conservation district must be one of the sponsors of a project. The land treatment, whatever may be needed, must be provided for whether the land treatment need is on watershed lands above the reservoir or downhill on the valley area that is irrigated, there still must be a soil conservation district sponsorship as well as the sponsorship by some organization that is going to obtain the loan or put up the funds for it.

Mr. SHORT. Would this be true in your specific instance out there in Idaho? Is there an existing soil conservation district that could join with the irrigation district in sponsoring the project?

Mr. HARDING. Yes. The problem is that the soil conservation district here is much more inclusive than the Cedar Mesa Reservoir and Canal Co., and they could not make themselves liable for the loan, though. We need this to enable the company's sponsorship as an irrigation district.

Mr. POAGE. If there are no further questions, we are very much obliged to all of you gentlemen.

Mr. ECKER. May I add one additional comment? I just wanted to indicate to the committee that the Senator has contacted all of the sponsors of this bill both in the House and Senate and they are all agreeable to his language in the event that this committee would see fit to adopt it.

Mr. POAGE. Do you not agree that the language as to the question of operation for profit should be in there?

Mr. ECKER. I would agree that is what the Senator was concerned about. Thank you very much.

Mr. POAGE. If there are no further questions, the committee will now go into executive session.

Mr. HARDING. I have a statement for the record and a copy of the letter that Mr. Dominick wrote to you. Could they also be included in the record?

Mr. POAGE. Without objection that will be included in the record.

Mr. KING. May my statement also be included?

Mr. POAGE. Permission granted.

(The statements and correspondence follow:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 23, 1961.

Hon. W. R. POAGE,
*Chairman, Subcommittee on Livestock and Feed Grain,
Committee on Agriculture, House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: I appreciate the opportunity of being able to present this statement to your subcommittee in connection with H.R. 3294 and H.R. 3462 proposing to amend the definition of the term "local organization" in section II of Public Law 566 also found in chapter 18 to title 16, section 1002, page 3150 of the United States Code.

This act, known as the Watershed Protection and Flood Prevention Act, sets up certain categories of organizations which are designed to act as sponsors of projects designed to receive the assistance provided under the act. The existing definition of local organization reads as follows: "any State, political subdivision thereof, soil or water conservation district, flood prevention or control district, or combination thereof, or any other agency having authority under States law to carry out, maintain and operate the works of improvement." The Agriculture Department in a letter addressed to the Honorable Gordon Allott, dated March 14, 1961, a copy of which is attached hereto, points out that the General Counsel of the Agriculture Department has consistently taken the position that this definition excludes any organizations except public organizations. Since there are private organizations who are able and willing to be sponsors to this Act, the purpose of the bill is to extend the definition of "local organization."

I would like to add my voice to the others in support of this legislation and to urge the adoption of an amendment, the amendment being as follows:

After the word "association" on line 7 add the following: "lateral and ditch company engaged in storing, distribution and drainage of water,"

(1) Two points should be made in connection with this amendment: The amendment is somewhat different from that which Senator Allott added to the Senate bill. Senator Allott's amendment included after the word "company" the words "organized not for profit and". The Agriculture Department has raised objections to these specific words for fear that they would limit the type of agencies referred to in other sections which they feel would be unwise and defeat the purpose of the bill. Hence, I have discussed the problem with Senator Allott, and he has agreed that there is no objection on his part to removal of the words noted above.

(2) Under the restrictive interpretation of this act applied by the General Counsel on prior occasions, it is our feeling that it is important to be as specific as possible in order to leave no misapprehension in the Agriculture Department that Congress intends to allow these private agencies to operate as sponsors of watershed and flood prevention projects. In my district we have a large number of lateral and ditch companies, both stock and mutual, which have been of substantial assistance in stabilizing the economy of the area. I would like to add my voice in recognition of the initiative and enterprise shown by these organizations and to permit them to take on these added responsibilities which will be of substantial assistance in promoting soil conservation and in further stabilizing the agricultural economy of the areas. I sincerely urge that the bill presented by Mr. King of Utah and Mr. Harding of Idaho be adopted by your subcommittee with the amendment noted above.

Sincerely,

PETER H. DOMINICK,
Member of Congress.

U.S. DEPARTMENT OF AGRICULTURE,
SOIL CONSERVATION SERVICE,
Washington, D.C., March 14, 1961.

Hon. GORDON ALLOTT,
U.S. Senate.

DEAR SENATOR ALLOTT: We regret to inform you that the lateral ditch companies referred to in your letter of March 6, 1961, do not qualify as sponsoring local organizations under Public Law 566.

In the Watershed Protection and Flood Prevention Act a local organization is defined as "any State, political subdivision thereof, soil or water conservation district, flood prevention or control district, or combination thereof, or any other agency having authority under State law to carry out, maintain and operate the works of improvement." In construing the meaning of the language "* * * or any other agency having authority under State law to carry out, maintain and operate the works of improvement," the Office of the General Counsel of this Department has consistently taken the position that it includes only such other public agencies as are of the same general type and kind as the public agencies specifically named. Since the definition in the act is applicable only to public agencies, mutual ditch companies organized under the private corporation laws of Colorado would not be able to qualify as sponsoring local organizations.

Two bills, S. 650 and H.R. 3462, have been introduced during the present session of the Congress to amend the definition of "local organizations." It is believed that this amendment would permit mutual ditch companies in Colorado to qualify as sponsoring local organizations under the Watershed Protection and Flood Prevention Act.

We hope that this information will be useful.

Sincerely yours,

DONALD A. WILLIAMS, *Administrator.*

STATEMENT OF HON. DAVID S. KING, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF UTAH

Mr. Chairman and members of the House Subcommittee on Conservation and Credit, I am grateful that the chairman has agreed to expedite action on my bill amending the Watershed Protection and Flood Prevention Act to enable needy water users associations and irrigation and reservoir companies to be eligible for assistance by the Farmers Home Administration. We have today in Utah a severe drought condition. The Secretary of Agriculture has declared all 29 counties as drought disaster areas, and the situation looks dark in regard to sufficient water in the years ahead. While section 2 of the act presently allows watershed protection and flood prevention loans to any State political subdivision thereof, soil or water conservation district, flood prevention or control district or combination thereof, or any other agency having authorization under State law to carry out, maintain or operate the work of water conservation, the FHA presently excludes nonprofit water users associations and irrigation and reservoir companies from being eligible for loans under the authority of this act. However, the same organizations are considered qualified to obtain loans from the FHA under the Water Facilities Act. I understand that several hundred groups in the Rocky Mountain States and plains area will be made eligible for these loans by passage of this legislation. The Department of Agriculture has reported favorably on this legislation, which will merely clarify the eligibility of needy and worth nonprofit irrigation companies to participate in this FHA financing. The Bureau of the Budget has indicated it has no objections to this legislation. Due to the drought disaster conditions in Utah and Idaho, and many other Mountain and Western States, I strongly urge this committee to favorably and speedily act on H.R. 3294.

STATEMENT OF HON. RALPH R. HARDING, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF IDAHO

Mr. Chairman, I appreciate your courtesy this morning in allowing me a few moments to appear before your committee and call to your attention the importance of taking swift action on the bills which would clarify congressional intent on loans to private water users associations and irrigation and reservoir companies under Public Law 566, the Watershed Protection and Flood Prevention Act.

A bill introduced by Senator Church, of Idaho, and Senator Moss, of Utah, passed the Senate on June 12 and in addition a bill was introduced by Congressman King and Congressman Peterson, of Utah, H.R. 3294 and H.R. 3462, all of which are presently awaiting action before your committee.

Section 2 of the act states that a watershed protection and flood prevention loan may be made to any State, political subdivision thereof, soil or water conservation district, flood prevention or control district, or combinations thereof, or any other agency having authority under State law to carry out, maintain, and operate the works of improvement.

While to many it appears that this provision in the bill would include the water users associations, irrigation and reservoir companies because of their quasi-public nature and they are authorized under State law to carry out, maintain, and operate works of improvements, the Farmers Home Administration presently interprets this public law's definition of the local organizations eligible for loans in such a way as to exclude all these private associations.

Yet these same organizations are considered qualified to obtain loans from the Farmers Home Administration under the Water Facilities Act.

Such private water development organizations are, of course, primarily found in the Western States. I understand that some 200 groups in Idaho, Utah, New Mexico, Montana, Wyoming, Arizona, Nevada, California, Colorado, Oregon, and the west fringe of the Plains area would be made eligible for these loans by the passage of the bills before your committee.

To illustrate the great need for these loans and the urgency of your taking early action on these bills, I should like to quote to you from a letter I received from the Cedar Mesa Reservoir & Canal Co. near Twin Falls, Idaho, outlining their needs. I might point out first that this company has gone to considerable effort to qualify under Public Law 566.

Their application for a loan was approved locally and they were given the highest economic benefit rating of any loan applicant in the State, but by the time their application reached Washington they were advised that the Washington Solicitor had ruled that their type of organization would not qualify.

This company states, "Our system, now some 40 years old, is rapidly disintegrating. Last fall we spent over \$8,000 for emergency repairs and Saturday, when I inspected the flume and concrete ditch, we discovered a dozen serious new seeps and sinkholes in the old cement. Any one such as these portends certain failure of the canal when the waterload increases and, of course, all that we have discovered will be patched. If the Congress acts on the proposed amendment soon, we shall have time to initiate our project prior to the 1962 season; if the amendment is not approved until August or later, then construction must be delayed until after another season of patchwork and prayer."

As your committee is probably aware, Idaho and our neighboring State of Utah are suffering from one of the most severe droughts in many years. In Idaho alone over 20 counties have been declared drought disaster areas already this year, and the situation gives little hope of improving during the next several years.

Also, for this reason as well, I am anxious that all roadblocks in the way of water development be removed and urge your committee to report this legislation which would remove the loan barrier which so adversely affects our Western States.

The Department of Agriculture is in accord on this legislation and the Bureau of the Budget has indicated it has no objection.

Your early action will be greatly appreciated. Again, thank you for giving me the opportunity to testify in behalf of these bills.

Mr. POAGE. We will now go into executive session.

(Whereupon, at 11:15 a.m., the hearing was concluded.)