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1961

HEARING

BEFORE THE

SUBCOMMITTEE ON OILSEEDS AND RICE

OF THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 8587, H.R. 8588, H.R. 8589, H.R. 8590,
H.R. 8591, H.R. 8592, H.R. 8593, H.R. 8594,
H.R. 8609, H.R. 8638, and H.R. 8682

SEPTEMBER 6, 1961

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EQUALIZE PEANUT PRICE SUPPORT

WEDNESDAY, SEPTEMBER 6, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1310, New House Office Building, Hon. Clark W. Thompson (chairman of the subcommittee) presiding.

Present: Representatives Thompson, Grant, Gathings, Albert, Ab-bitt, Belcher, Dole, Beermann, and Reifel.

Also present: Representatives Poage, Matthews, and Bonner.

Christine S. Gallagher, clerk; and John Heimburger, counsel.

Mr. THOMPSON. The committee will be in order.

H.R. 8589 was introduced by Mr. Cooley. The following bills and their authors were identical to H.R. 8589: H.R. 8587 by Mr. Burleson, H.R. 8588 by Mr. Casey, H.R. 8590 by Mr. Fisher, H.R. 8591 by Mr. Poage, H.R. 8592 by Mr. Steed, H.R. 8593 by Mr. Thompson of Texas, H.R. 8594 by Mr. Wickersham, H.R. 8609 by Mr. Albert, H.R. 8638 by Mr. Ikard, and H.R. 8682 by Mr. Morris.

(The bill follows:)

[H.R. 8590, 87th Cong., 1st sess.]

A BILL To amend the Agricultural Act of 1949

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Act of 1949, as amended, is amended by adding the following sentence at the end of section 403: "Beginning with the 1962 crop in the case of peanuts, the United States Department of Agriculture shall apply the same support price to each pound of sound mature kernels and the same support price to each pound of all other kernels as now defined by the United States Department of Agriculture for all types of peanuts; all discounts and premiums shall be the same for all types of peanuts, except that premiums shall apply to extra large Virginia-type peanuts and for Valencia-type peanuts that are suitable for cleaning and roasting."

STATEMENT OF HON. E. L. FORRESTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. FORRESTER. Congressman Pilcher of the Second District of Georgia has asked me to state that he has important business that absolutely compels his absence from this meeting this morning but he vigorously opposes this legislation, that he wants to be recorded as such and he has a statement that has been sent in to be made a part of the record.

Congressman George Andrews of Alabama has said to me that he regrets very deeply that he cannot be here; that the reason that he cannot be here is because he is sitting in on a committee this morning dealing with the civil functions appropriations, one of the most impor-

tant matters that comes before the House, and that he just simply would have to be there. He wanted me to express to you his deep convictions that this legislation is improvident and that it should not be passed.

Mr. Chairman, if you will let me say this from a personal note: I seldom ever come before and take up the time of this committee, but if some of you do not know it this is about as good a time as any for you to find it out. We raise more peanuts in the district I represent than some of the States who are involved in this matter. I come from the Second District of Georgia and Congressman Pilcher comes from the Third District. The peanuts that we raise are undoubtedly far more than some of the States who are interested in the peanut program.

Some of you people have just a little interest in peanuts. I have a tremendous interest in peanuts. This is the lifeblood of the district that I represent and frankly, I am deeply concerned over this proposal to set up legislation regarding the grading and the price of peanuts.

This is something that never has been done before. It ought to be left to administrative action.

I went to the trouble of calling upon the Administrator of the Agriculture Department and asked him if this had ever been done in any other commodity and they sent me the answer and the reply is no. On account of the fact that I will not be here I will ask former Congressman Stephen Pace to read that letter from the Administrator to this subcommittee.

Mr. Chairman, this peanut program may not be all that we desire, but it is like a little girl down home that they were teasing on one occasion about the boy she was with. They told her he wasn't much to look at. She said he was a whole lot better than none. That is the way it is with this peanut program that we have. It is a whole lot better than none. I just shudder when I see anybody come up with suggested legislation for peanuts. We are getting along all right now but up in Congress this is a mighty friendly place, and then it is one of the most impersonal places you ever saw in your life, one of the coldest places you ever saw in your life. We just have a small area that is engaged in peanuts. We do not plant extensively like you do with cotton and wheat. We have a few real, devoted friends. If we just insist on getting legislation on the floor we may live to regret it.

I appreciate your letting me have a few words to say to you. If you will excuse me now I am going over there to the committee. I know that you will give my witnesses a fine hearing. Congressman Pace, I think, will be in charge of the witnesses that I have asked this committee to hear. Thank you, Mr. Chairman.

Mr. THOMPSON. Thank you, Mr. Forrester.

Mr. Thigpen, representing the Department of Agriculture. Will you take the chair?

STATEMENT OF JAMES THIGPEN, DIRECTOR, OILS AND PEANUTS DIVISION, AGRICULTURAL CONSERVATION AND STABILIZA- TION SERVICE OF THE DEPARTMENT OF AGRICULTURE

Mr. THIGPEN. I am James Thigpen, Director of the Oils and Peanuts Division of the Agricultural Conservation and Stabilization Service of the Department.

Mr. Chairman, the Department has submitted a report on the bill under consideration and I have nothing to add from my standpoint

to the Department report. The Department also in connection with the decision by the Board of Directors of the CCC, upon the differentials for the 1961 crop, explained in part the predicament in which we have found ourselves in trying to deal with this question. Certainly anyone such as myself, working on a problem of this kind, would like to see it resolved and removed from the area of argument, if that could be possible.

Of course, all of us are interested, who work in this field, in a good agricultural program and a sound handling of any one of the programs such as that for peanuts. If there is anything I can do to be helpful, I will be glad to do so.

I have two of my associates here with me, one of the men from my office who has done some of the work and one of the men from the Price Division in the Department which reviews all of these price determinations.

Mr. THOMPSON. Mr. Thigpen, does that conclude your statement?

Mr. THIGPEN. Yes, sir.

Mr. THOMPSON. Would you please trace for my benefit if not for the benefit of all of the members of the committee exactly what has happened to bring about this difference of opinion between the southeast and southwest producers?

Mr. THIGPEN. All right, Mr. Chairman. That is not easy to do, I'm afraid.

I first came into this question when I moved into the Oils and Peanut Division in 1954 and I found at the time that the men who had worked on the differential question previously had encountered serious difficulty and very sharp differences among the people in the industry and in the different areas. The differentials and the method of determining the differentials as I understand it was fixed, essentially, beginning in 1951 and was frozen.

The men who worked on it had such a difficult time with it, as I understood what they said, that they did not want to reopen the question at all. In 1956 the request was made that the size of the screens used in grading farmer stock peanuts of the Runner and Spanish types be changed; that is, increased in size by one sixty-fourth of an inch, as the screens are used. In order to try to protect the farmers—because more peanuts would fall through the screens and not be classified as sound mature kernels, which had been the basis of the valuation of the peanuts under the differential system—it was deemed advisable to place a value on what is called the other kernels, the smaller whole kernels, which fall through the screens. At that time also, in trying to reason through the problem and considering it, it was my understanding that the Department basically had arrived at the differentials by considering the historical prices received by farmers for the peanuts of the different types. Anyone, I think, coming into a question of this kind initially and trying to find a basis for determining the differentials looks at the historical market prices. Initially it was my feeling that there was no specific information and no specific figures to be tied to other than those historical prices. Consequently, it seemed doubtful to me that any other basis could be used.

Subsequently, beginning in 1958, after studying and working as we have to do with these things, I recommended that some consideration also be given to values determined on the basis of kernels, as shown by the grading of farmer stock peanuts. That was taken into con-

sideration as part of the basis for determining the differentials, beginning in 1958 and essentially at the present time, or for 1961, the differentials give almost an equal weighting to the historical prices received by farmers for peanuts and dollar-per-ton figures built up on the basis of kernel values.

As to the reasons for the sharp difference which comes up, it is hard to evaluate, hard to decide how it comes about. From the standpoint of farmers, I think the willingness of farmers in any given area to go along with a lower price support for their peanuts as compared to the price supports for other types in other areas, indicates that a 1- or 2- or 3-percent variation in the price-support level is not too significant to them; but to the peanut shellers it becomes a much more serious problem.

The peanut sheller operates on a fairly narrow margin, as I understand the nature of the business, on a highly competitive basis, with the necessity of buying an inventory and then trying to merchandise it later, at times collectively finding that they have overbought and finding themselves at the mercy of the buyers in trying to sell. Therefore, any error in determining the differentials as among types in the different areas gives rise to very sharp differences of opinion among the shellers.

I think that is the root of the problem. I understand why it is of so much concern to the shellers and I understand the importance of trying to do the very best that can be done to have these differentials be as nearly accurate as possible as among the different types in the different areas.

Mr. THOMPSON. Did you oppose the new differential? This differential is something that has just happened, is it not?

Mr. THIGPEN. The differential for the 1961 crop, with small variation, is substantially the same as that for 1960 crop, Mr. Chairman.

Mr. THOMPSON. There is nothing new that has been imposed by this administration?

Mr. THIGPEN. There are some small differences on the kernels other than the sound mature kernels. The value placed on the so-called other kernels (the small whole kernels which fall through the screens in grading), and the value placed on loose shell kernels, was changed from 6 to 7 cents per pound. The value of 6 cents, which was placed on damaged kernels in 1960 was reduced to zero for 1961. That was done, considering the fact that damaged kernels in farmer stock peanuts which are to be milled and sold for edible use are a minus value factor.

The Department did review the grade figures, that is, the percentages of the different kernels used for breaking down the dollar per ton differentials into a system that is used in valuing individual lots of farmer stock peanuts. A small change in relationship in the prices per percent of sound mature kernels came from that.

Mr. THOMPSON. Are there any questions of Mr. Thigpen?

Mr. GRANT. Yes, Mr. Thigpen. I believe you stated a few moments ago that you had been with the Department, the Peanut Division, Oils and Fats, since 1954?

Mr. THIGPEN. Yes, Mr. Congressman.

Mr. GRANT. And that, as a matter of fact, you have had a part in developing this present program; have you not?

Mr. THIGPEN. Yes.

Mr. GRANT. In meeting with others in the Department of Agriculture over the years who have charge of the peanut program, is it not a fact that your Committee and those in charge of it have, to the best of your ability and with the facts and figures and information that you have had at hand, attempted insofar as you could and insofar as practical to develop a program of grading that was fair to all sections of the peanut industry?

Mr. THIGPEN. Yes.

Mr. GRANT. Also, I might state that while these bills that have been filed look good on paper, as a practical thing is it not a fact that for the workability of the program it would be best not to tie the hands of the Department of Agriculture in this program, but that they be given some latitude in setting up a program, as is done today?

Mr. THIGPEN. That is a matter that moves into judgment as to what is advisable. In my judgment, despite the difficulty which has been encountered in this particular phase of the peanut program operation, it would be desirable to try to bring together information on the basis of which the people who are most affected, producers and shellers in the different areas, could come to some agreement. Frankly, whether it is possible to do that, I do not know, and as I stated earlier, anyone working with a knotty question of this kind would like to have it removed from the area of argument. I am not satisfied personally with the differentials as they stand, because we are unable to prove them precisely within certain limits.

Mr. THOMPSON. Did you say you are not satisfied?

Mr. THIGPEN. I myself am not personally satisfied with the differentials as they stand. There is a certain area in there which we cannot prove as closely as I would like to prove it and that fact in itself gives rise to the sharp differences. I think if it could be proved to the satisfaction of the people in the industry, if they could work it out themselves and see it, that they would discontinue the kind of expression of differences that we have seen.

Mr. GRANT. Mr. Thigpen, it is a fact, is it not, in developing this program and setting it up from year to year that members of the peanut industry, that is, the planters and shellers and other interested people in the peanut industry have been called in for consultation with the Department in developing the program?

Mr. THIGPEN. Yes.

Mr. GRANT. That is all, Mr. Chairman.

Mr. THOMPSON. Mr. Belcher?

Mr. BELCHER. No questions.

Mr. THOMPSON. Mr. Gathings?

Mr. GATHINGS. No questions.

Mr. THOMPSON. Are there any questions on the part of the members of the committee?

Mr. ABBITT?

Mr. ABBITT. I appreciate your coming down here today, Mr. Thigpen, to give us the views of the Department on this proposal.

What is wrong with having the same support price for each pound of sound, mature kernels?

Mr. THIGPEN. I am not positive in my own mind that there is anything wrong with the approach on that basis, with certain qualifications: That if the values are based solely on sound mature kernels and no weight is given to the value of the other kernels, I think it

would be an inaccurate sort of a differential. In other words, the other kernels amount to almost 10 percent of the total kernels for some of the types now and should be given a proper value in my judgment. There also is this simple point: When the screen sizes were changed for grading farmer stock Runner and Spanish types in 1956, no corresponding change was made in the screen size used in grading farmer stock peanuts, Virginia type, and as a consequence the other kernels—and this is virtually what I said a moment ago in a sense—the percentage of other kernels in the Virginia type is about 3 percent, whereas for Runner and Spanish it gets up close to 10 if you add in the loose shelled kernels also.

There is this difficulty and I do not know how quite to prove the point out. There is a variation in the recovery of, let's say, sound mature kernels at the time of milling as against the quantity of sound mature kernels bought at the time the peanuts are delivered to the farmers, which comes out of the differences and the conditions existing in the different areas. I do not know whether there is a location difference which affects the value of these peanuts but if so, a single measure of kernel values would not reflect it.

Those are some of the questions which attach to it.

Mr. ALBERT. Would the gentleman yield in view of the fact I have to leave?

Mr. ABBITT. Yes.

Mr. ALBERT. Mr. Thigpen, as I understand both the correspondence which I received from the Department and your report dated August 24 to this committee, the main reason for making no change in the program this year was it was too late; is that right?

Mr. THIGPEN. That was the position expressed by the Department, yes, sir.

Mr. ALBERT. It is also the position of the Department, which has been reiterated this morning, that you are not satisfied with the differentials as presently established and are disturbed by the conflict of views among the producers and shellers from the three producing areas?

Mr. THIGPEN. That is correct, yes.

Mr. ALBERT. And that you are establishing an advisory committee of growers and sellers from different areas to assist in developing recommendations on differentials for next year?

Mr. THIGPEN. The Department suggested that; yes, sir.

Mr. ALBERT. Are they going to do that?

Mr. THIGPEN. Subject to the qualification in the report on the bill, Congressman, yes, the Department would be glad to do the best it could that way.

Mr. ALBERT. May I ask you this? Has the use of peanuts for peanut butter been a major, historical use among Spanish, Runner, and Virginia types of peanuts?

Mr. THIGPEN. Yes, with the heavier weighting going to the Runners, next to the Spanish, and last to the Virginias.

Mr. ALBERT. But peanut butter has been a major use?

Mr. THIGPEN. Yes.

Mr. ALBERT. To your knowledge have the peanut butter users of the Southwest and other States in the area of the Southwest historically used the southwestern-produced Spanish peanuts as the major source of stocks for the production of peanut butter? Do you know?

Mr. THIGPEN. Yes, and in particular one of the major manufacturers, until this past year, has used no Runners and has limited the manufacturer—

Mr. ALBERT. In other words, there has been built up among at least one major manufacturer a traditional market for Southwestern Spanish peanuts for butter uses?

Mr. THIGPEN. Yes.

Mr. ALBERT. Has there been any interruption of that within recent years?

Mr. THIGPEN. Yes. The particular manufacturer this past year shifted to a blend of Runner and Spanish peanuts. That was a major shift.

Mr. ALBERT. Has that major shift been taking place regardless of the geographical location and regardless of the freight differential which would be required in purchasing both types of peanuts?

Mr. THIGPEN. As best I can understand from the officials of the company that is true.

Mr. ALBERT. That is the basis of this whole argument, as I see it.

Mr. THIGPEN. I think that is right.

Mr. ALBERT. The Department cannot justify on any theory any program which they say themselves they are not satisfied with which will cause a shift in the use of peanuts for manufacturing purposes. Now that is this whole argument as I see it.

That is all.

Mr. GRANT. Will the gentleman yield?

Mr. ABBITT. Yes.

Mr. GRANT. Mr. Albert asked about the Runners. They do that to make a better grade peanut butter, do they not? They put in a few Runners?

Mr. ABBITT. My understanding—

Mr. GRANT. I will not ask you to reply.

Mr. POAGE. I would like to have that on the record.

Mr. THOMPSON. Gentlemen, before we proceed with Mr. Thigpen, it was the Chair's intention to accommodate all Members of Congress who are present. I did not see Mr. Burleson. I previously told him we would hear him early because he is chairman of another subcommittee and must go. If you will make your statement now, Mr. Burleson?

STATEMENT OF HON. OMAR BURLESON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BURLESON. Mr. Chairman, may I first express my appreciation to you and members of your subcommittee for holding hearings on measures introduced by a number of us to correct a most serious situation relating to the disparity of price supports for Southwest Spanish peanuts and Southeast Runners.

Every member of this subcommittee is well aware of the issue before us and it is not my purpose to presume to explain it, but rather to support you in bringing one of these measures out of your committee and to the floor of the House which, if passed, will correct an unconscionable inequity.

Mr. Chairman, those who contend that the present unequal treatment between the Southeast and Southwest price supports should be

continued, have evidently been able to cloud the issue with extraneous matters and technicalities. Regardless of the technicalities, regardless of the theories, we know the results. We know that the Southwest Spanish peanut is being priced out of the market, and all one has to do is to look at the Texas market itself.

Those in the Department who are able to raise the smokescreens around this question, in my opinion, do so not according to the obvious facts. The only conclusion we can arrive at is that it is done out of some prejudice and bias not supported by the facts of the conditions which the peanut growers and shellers are experiencing in the Southwest.

Mr. Chairman, the growers in the Southwest are in complete accord with this action and, of course, representatives of the growers will be here to testify.

On August 22, 1961, Mr. Melvin E. Shell, president of the Shellers Association in the Southwest, wrote a letter to the Honorable Charles E. Murphy, Under Secretary of Agriculture, which I think describes the situation with accuracy. I ask permission to have it made a part of the record.

Mr. THOMPSON. Without objection that may be included.

Mr. BURLESON. Thank you.

(The letter follows:)

GORMAN PEANUT CO.,
Gorman, Tex., August 22, 1961.

HON. CHARLES S. MURPHY,
Under Secretary of Agriculture, Department of Agriculture,
Washington, D.C.

DEAR MR. MURPHY: This is in response to your letter of August 3, 1961.

The southwestern peanut industry was shocked by the decision of the Department. We cannot believe that the Department reached its decision on the merits of the case, but rather on the procedural question of when is the appropriate time to change differentials. This appears to have been the basis for the Department's decision as expressed in the press release.

We have four comments on this point:

(1) The Department did make substantial changes in differentials in 1961 from 1960 in that it did grant the request of the Southeast to set the support the same on southeastern Spanish and southwestern Spanish. We are not here talking about the mythical "average ton," which has a different kernel composition for each type, but about the facts of economic life in the peanut industry; namely, the support per pound on sound mature kernels and other kernels.

(2) The Department was indeed pioneering and unique in its stated 1961 position (although not followed) that major changes could not be made in differentials in July. Since the beginning of the peanut price support programs in the 1930's the Department of Agriculture has been setting differentials during the summer. We don't know why the Department called an industry meeting this summer if it was too late to make changes.

(3) The head of the Oils and Peanut Division has shown no reluctance to make major changes after August 1 in the past. For example, 2 years ago after the shellers had bought the peanut crop on the basis of an announced No. 2 program, the present head of the Oils and Peanut Division arbitrarily suspended the No. 2 peanut purchase program for an indefinite period of time and finally reestablished it on a revised and less desirable basis 9 days later.

(4) The press release issued by the Department announcing its decision was grossly misleading. It stated that Southwestern Spanish were supported at \$217.37 an average ton and Southeastern Spanish at \$224.12 an average ton. It completely failed to state that Southeastern Spanish and Southwestern Spanish were supported at the same amount for each percent of sound mature kernels. This press release mislead peanut brokers and buyers of peanuts to believe that Southwestern Spanish peanuts were supported at less than Southeastern Spanish peanuts and that, therefore, buyers should be able to buy our shelled peanuts for less than they pay for Southeastern Spanish.

The southwestern peanut industry believes that the Department of Agriculture should immediately correct the erroneous impression created by the press release by issuing another press release pointing out in a straightforward and simple manner that the support on Southwestern Spanish peanuts and on Southeastern Spanish peanuts on a kernel basis is the same. If the Department wants to fancy it up, the Department can state that Southwestern Spanish and Southeastern Spanish are both supported at \$3.17 for each percentage point on sound mature kernels in a ton of farmers stock peanuts and 7 cents a pound for other kernels and loose-shelled kernels. But for goodness' sake, do not confuse everyone by talking about the "average ton." In future years the Department should announce supports in terms of base grades, with the base grade for all types having the same sound mature kernel content and the same loose-shelled and other kernel content. This would be something that people in the industry could understand.

You have asked that our association appoint three members of an advisory committee to develop recommendations to the Department. We plan to cooperate with the Department, as we always have, but before naming our committee we would like answers to three questions:

1. Will the Department's personnel approach this problem in an open-minded manner or will they feel bound to justify decisions they have made in the past?

2. Will the Department accept and adopt a recommendation agreed to by a majority of the areas?

3. If the Department cannot get a unanimous recommendation from the committee, will it take the position that it will continue the present differentials (since the industry cannot agree among themselves) or will the Department accept its responsibility to make a decision based on the merits of the case?

On behalf of our members let me again thank you and the other top officials in the Department for the very patient and courteous way in which you listened to our case this year. We recognize that you must divide your attention among many problems. We hope that you recognize that our attention is focused on one problem, a decision of the Department of Agriculture that is resulting in the Southwestern Spanish peanut losing its market. We believe that as time passes you will come to better understand the reasons for the conviction and the desperation under which we are acting. If at times we appear brusque, it is because of many years of unhappy dealings with certain officials of the Department of Agriculture who have consistently favored the Southeast over the Southwest regardless of the merits of the case.

Sincerely yours,,

SOUTHWESTERN PEANUT SHELLERS ASSOCIATION,
MELVIN E. SHELL, *President*.

Mr. BURLESON. Mr. Chairman, it is said that we are playing the game of "brinksmanship" to bring this measure up for debate. It is not a matter of "brinksmanship" with us. It is a matter of trying to get off the barrel over which we have been placed by those who insist that they maintain the unfair advantage they have long enjoyed. We simply want to get from over the barrel and to have a bit of justice on our side. We do not welcome taking this issue before the Congress because the peanut program is not particularly popular, but those who insist that the status quo be maintained are forcing us to contend for our rights, which we intend to do. It should not be necessary, but out of desperation we will take our chances to rectify an intolerable situation.

My esteemed friend and colleague, Congressman Tick Forrester, has said that whatever is needed should be done administratively. I agree it should be done and that is what we have done with disastrous results.

The Department said a month ago that it was too late in the season to make adjustments in price supports, but the CCC Board did make changes in the support of Southeast and Southwest Spanish peanuts. This was not a valid reason and it was proved by the change made.

We are moving now to get this situation corrected before it is said again that it is too late for 1962.

Thank you, Mr. Chairman and my colleagues of the committee.

Mr. ABBITT. I realize you are chairman of a most important committee and the committee is meeting probably right now.

Mr. BURLESON. We are trying to have our last meeting of the session.

Mr. ABBITT. I am a member of that committee and I hope you will excuse me this morning. You said something about your being priced out of the market. Isn't it a fact you are being priced out of the market because of the action of the officials in the Department?

Mr. BURLESON. I would put it this way, Mr. Abbitt: We are being priced out of the market now because of the inaction of the Department.

Mr. ABBITT. In other words, the law does not set it out specifically and it is because of discretionary power of certain officials in the Department?

Mr. BURLESON. I see your point. That is absolutely correct. Whatever the situation is in the Department—and I say that it is bias and prejudice—I am not accusing anybody of wrongdoing in the interpretation of this thing, but as I said earlier, we know the results. I do not care about these technicalities or what they are. You can throw up a smokescreen and go around Robin Hood's barn, but the results are obvious and in evidence all over our part of the country. Thank you very much, Mr. Chairman and gentlemen.

Mr. THOMPSON. Are there further questions of Mr. Burleson?

Mr. BEERMANN. What would happen if there were no laws concerning peanuts?

Mr. BURLESON. I think the growers would be in bad shape.

Mr. BEERMANN. So we have a law and we are fighting about it.

Mr. BURLESON. Well, the administration, or the Department of Agriculture, as Mr. Abbitt pointed out. We are fighting over this particular issue out of desperation.

Mr. BEERMANN. We have to have a law and we have to have the Department abide by the law.

Mr. BURLESON. I think we will have to have legislation to require them to correct this inequity. They could correct it, and certainly they have had opportunity this year. A month or so ago when we had several informal meetings on this question, they said it was too late in the season for the 1961 crop, but they did change the relationship of supports on support of Spanish Southeast and Spanish Southwest. They didn't change the Spanish Southwest and the Runners in the Southeast.

Mr. THOMPSON. Thank you, Mr. Burleson.

Mr. BURLESON. Thank you, Mr. Chairman and gentlemen.

Mr. THOMPSON. Mr. Thigpen, will you resume the witness chair, please?

STATEMENT OF JAMES THIGPEN, DIRECTOR, OILS AND PEANUTS
DIVISION, AGRICULTURAL CONSERVATION AND STABILIZATION
SERVICE, DEPARTMENT OF AGRICULTURE—Resumed

Mr. THOMPSON. Please proceed with your questioning, gentlemen.

Mr. ABBITT. Mr. Thigpen, as I understand it, the price support for peanuts is set or established by the Department generally in the early spring. When was that done this year?

Mr. THIGPEN. The differentials, or the price support preplanting announcement is usually in February or March.

Mr. ABBITT. That is my understanding, late February or early March. That does not mean as I understand it that every grower will get that support price for every separate ton of peanuts that he sells?

Mr. THIGPEN. That is right.

Mr. ABBITT. That support price is set as an average.

Mr. THIGPEN. Yes.

Mr. ABBITT. Then later on, historically, the Department has usually worked out a differential for the different grades of peanuts.

Mr. THIGPEN. Yes.

Mr. ABBITT. Has that always been done?

Mr. THIGPEN. Yes. That has been the custom since I have been familiar with it.

Mr. ABBITT. Why is it this year the Department said they could not make a change because the planting season was over? It has never been made before the planting season was over heretofore; has it?

Mr. THIGPEN. That is correct. I believe the Department also said that in the light of the information available, it thought the action taken was the best action to take at the time.

Mr. ABBITT. In other words, they did not want to take action but they wanted to put it off for a little while.

For the information of some of these people, the price support program in the Department is handled under which Assistant Secretary down there?

Mr. THIGPEN. At the present time Assistant Secretary Ralph.

Mr. ABBITT. That applies to tobacco and what other commodities?

Mr. THIGPEN. Well, all of the action programs, price supports and marketing programs, Agricultural Conservation, Stabilization Service comes under Assistant Secretary Ralph.

Mr. ABBITT. Except peanuts?

Mr. THIGPEN. Peanuts also.

Mr. ABBITT. I stand corrected on that. I was under the impression peanuts did not come under him.

Mr. THIGPEN. They do.

Mr. ABBITT. Is it true that under the present policy or the way you have it differentiated it will mean if it is carried on into the future; soon there won't be any Virginias sold for peanut butter?

Mr. THIGPEN. I could not draw that conclusion at the present time. I would understand as your question is put that I think the differentials would adversely affect the sale of Virginia type peanuts for peanut butter.

Mr. ABBITT. I understood you to say under the present policy it would adversely affect it.

Mr. THIGPEN. As I understand the implication back of the question, on the Virginia type peanuts, the peanuts are produced and milled and sold primarily for salting and for roasting in the shell.

Mr. ABBITT. We have premiums on those.

Mr. THIGPEN. There are premiums.

Mr. ABBITT. The premiums could go even higher.

Mr. THIGPEN. Consequently the No. 1 Virginia peanuts which go into peanut butter and some of the No. 2 peanuts which go into peanut butter are sold competitively against the other types for the prices which prevail for the other types.

Mr. ABBITT. What is the difference per pound of No. 1 SMK Virginia and a pound of the same type in Spanish or Runners so far as producing peanut butter is concerned? What is the difference in the production price per pound? Do they take more Virginias or less Virginias or do they produce the same?

Mr. THIGPEN. Would you repeat the question, please, sir?

Mr. ABBITT. You say No. 1 Virginias or No. 2 would ordinarily go into peanut butter.

Mr. THIGPEN. Yes.

Mr. ABBITT. What is the difference in the end result of a pound of Virginia No. 1 in producing peanut butter as compared with Runners for use in producing peanut butter?

Mr. THIGPEN. I know of no difference other than some quality factors. I do not know the value effect exactly. I make no distinction for this.

Mr. ABBITT. On a ton of peanuts to make peanut butter, why do you pay more for Virginia No. 1?

Mr. THIGPEN. You do not so far as I know.

Mr. ABBITT. The price is the same?

Mr. THIGPEN. The Virginia No. 1 is sold competitively against the No. 1 Spanish and Runner for peanut butter. To the extent that the price support differentials, as we are discussing them, affect the price on Virginias it affects the price at which the extra large and the mediums are sold primarily for use in salting and the price at which the clean unshelled peanuts are sold for roasting. The No. 1 peanut in the Virginia type in that sense becomes, in part, a byproduct, except in years of really short supply. When it moves in part from peanut butter into salting.

Mr. ABBITT. The price is the same for Virginia No. 1 as it is for Runner?

Mr. THIGPEN. No.

Mr. ABBITT. What is the distinction?

Mr. THIGPEN. I make a distinction between the price of sound mature kernels and the price at which the U.S. No. 1 grade is sold. They are not the same.

Mr. ABBITT. You just said it was, unless I misunderstood you.

Mr. THIGPEN. I did not intend to say that.

Mr. ABBITT. You said the No. 1 Virginia sold the same as the No. 1 Runner?

Mr. THIGPEN. The shelled grade is sold competitively against the No. 1 Runner and Spanish.

Mr. ABBITT. Is the support price the same?

Mr. THIGPEN. The support price on sound mature kernels is higher than the support price on the farmer stock of the Runner and Spanish

type. That reflects the premium which is placed on the large kernels which go to salting primarily and the premium placed on the clean unshelled peanuts roasted in the hull.

Mr. ABBITT. The No. 1 Virginia does bring more than does the Runner No. 1?

Mr. THIGPEN. I do not so interpret it. I am not sure we understand one another fully in the question and answer at the moment. There may be some difference I don't know about. The No. 1 Virginias sold for peanut butter are sold competitively against the No. 1 Spanish and Runner.

Mr. ABBITT. You keep saying "sold." If you are going to sell them you have to sell them competitively. I am not talking about selling them at a loss to compete. I understand they cannot sell them in competition with the Runner under the present setup.

Mr. THIGPEN. It is not my intention to differ with the Congressman.

Mr. ABBITT. I want you to tell me just like it is.

Mr. THIGPEN. The support price on Virginia peanuts is based on the value placed on sound mature kernels, the value placed on kernels other than the sound mature kernels, and the premiums placed on the extra large kernels. Part of the premium on extra large kernels of the Virginia type is paid as such on that basis when valuing the individual farmer's lot, and part of that premium is placed on the sound mature kernel price. That was done some years back at the request of the shellers and producers from the Virginia-Carolina area. Consequently, the price shown for sound mature kernels of the Virginia type is higher largely because of that, not entirely so, than the price shown on sound mature kernels of the Runner and Spanish type.

Mr. THOMPSON. Our time has run out. The Chair would like to suggest that we come back at 2 o'clock this afternoon and see whom we can get on the committee and where we go from there. The Chair will do everything possible to accommodate the witnesses, particularly those who have come a long way.

The meeting will stand in recess until 2 o'clock.

AFTERNOON SESSION

Mr. THOMPSON. When the committee recessed at noon Mr. Thigpen was on the stand.

Will you resume the chair, Mr. Thigpen?

Mr. ABBITT was questioning at the time we recessed. You may continue, Mr. ABBITT.

Mr. ABBITT. Is it true that so far as Virginia-type peanuts are concerned that their best peanut is the premium?

Mr. THIGPEN. That is right.

Mr. ABBITT. Would that not mean that when you come to their No. 1 that in all probability there will be more damage or loss in the No. 1's than you would have in the Runner No. 1?

Mr. THIGPEN. In terms of damage the Virginia type has a lower average damage content, but the Virginia No. 1 peanut is the relatively immature kernels and consequently tends to be more shriveled than would be true of No. 1's of the Runner and Spanish types, which are the fully mature kernels. In that sense it would have some disadvantage in term—

Mr. ABBITT. That would be all the more reason that the differential should not be so widespread, would it not?

Mr. THIGPEN. Again it comes back to the premium.

Mr. ABBITT. You keep talking about the premium. Nobody wants to reduce the premium. There is no premium on Virginia No. 1, is there?

Mr. THIGPEN. No.

Mr. ABBITT. That is what we are talking about.

Mr. THIGPEN. I believe it is roughly correct that if the pricing were done on the basis of differentials being determined on the same kernel prices and the premium were increased above the premium now assigned, that the price support for the Virginia-type peanuts would be increased relatively. In other words, it makes little difference, as I remember the arithmetic, and I can be off on this, with regard to the Virginia type because of the premium.

Mr. ABBITT. I assume under the setup downtown, which I know very little about, that you make the original recommendation and pass that upstairs.

Mr. THIGPEN. We do the arithmetic and we try to explain as best we can and it is passed on for decision.

Mr. ABBITT. Then you give them about six different alternatives?

Mr. THIGPEN. We try to show the alternatives; that is right.

Mr. ABBITT. And what we now have is one of the alternatives you had in mind?

Mr. THIGPEN. That was one of the alternatives.

Mr. ABBITT. This is the one you are not too happy with and you feel some change should be made?

Mr. THIGPEN. Whether this is right or wrong cannot be proved exactly. When there is a difference which exists in the industry we should make every possible effort to find some way of resolving it and overcoming differences. One is bound to be unhappy about any result leaving such differences.

Mr. ABBITT. I know you want the growers in Georgia, Alabama, and Florida, particularly the little grower, to get all he possibly can for the No. 1 and No. 2 peanut, whether it is for peanut butter or whatever it is.

That is all I have, Mr. Chairman.

Mr. THOMPSON. Other questions?

Mr. MATTHEWS. I am not on this subcommittee. May I ask some questions?

Mr. THOMPSON. Certainly. You are an ex officio member.

Mr. MATTHEWS. I had a telephone call this morning from a constituent of mine, Mr. Cyril Boyd. I would like to say for the record, if I may, that he was supposed to be here as a witness but could not come. He said Mr. Pace would represent his viewpoints.

He wanted me particularly to tell Mr. Pace how sorry he was that he could not be here. He is now harvesting his peanut crop.

Then if I might make one or two other observations. I am glad we have Mr. Thompson as chairman of this committee because he is even tempered. We are in a spot with peanuts, as already has been expressed today. Gentlemen, we are going to have to keep our tempers even and solve this problem on a basis which will not hurt our industry because we will all have to help each other. We will have to present a united front in an attempt to solve our problems.

Mr. Thigpen, this is something I wondered about. This morning we had a matter presented showing the competition that the producers in Texas are having with the producers of the Runner peanuts. Do you have any information about how that has turned around on the other side? Do you have any information, for example, taking the peanuts in Virginia as an example, about how many Spanish peanuts are going into Virginia so we can get some idea of the competition which might be involved here?

Mr. THIGPEN. We do not have information on the movement of peanuts from one area to another in terms of volume. We do know that the Southwest Spanish peanuts and the Southeast Spanish peanuts, Runner peanuts, and Virginia peanuts all move more or less over the country. I think certainly for peanut butter that that movement is influenced somewhat by the freight cost. One company shipped last year notwithstanding the cost factor because their interest was primarily in quality. I am sure there is an influence of location on different types.

Mr. MATTHEWS. Would it be fair to say that insofar as the sale of peanuts is concerned that it is pretty well a competitive free market?

Mr. THIGPEN. When it comes to the sale of the peanuts after they are purchased against the support level there is sharp competition with the shellers. The support level has an influence in the picture obviously. Off balance could have a serious effect on the shellers. In other words, \$2 or \$4, 1 or 2 percent to the growers, might not be so serious, but if the shellers are operating on a \$8 or \$10 net margin and you have a \$2 to \$4 error on one type as against another it could have a serious effect on their position. That is why this continues to be such a sharp issue, when you couple it with the fact that the shellers themselves have thus far—and we are working with them as best we can—been unable to pin down that area.

Then, of course, in areas you have sharp competition among the shellers and there is a variation as to what one sheller can do as against another.

Mr. MATTHEWS. I believe, from the information I have, that this competition is a two-way street. My colleague, Mr. Burleson, and I know he is sincere, and I know my colleague, Mr. Poage, is sincere, and they speak of the competition that the peanut producers have in Texas with regard to the Runner and Southeast peanuts. But I have a feeling that competition is a two-way street.

I wonder, for example, if we know how many of the peanuts from Texas would go into Virginia. I believe I asked a similar question a while ago and you did not have the answer.

Mr. THIGPEN. We do not have those figures. We know there is a movement.

Mr. MATTHEWS. That is the problem I see. As we view this whole area competition is pretty much a two-way street.

Thank you very much, Mr. Chairman.

Mr. ABBITT. I overlooked one matter I want to bring to your attention.

Mr. William V. Rawlings, executive director of the Virginia Peanut Growers Association, could not be here today. He is attending a very important meeting of the Agricultural Commission.

Mr. THOMPSON. I have a statement from Mr. Pilcher, the gentleman from Georgia, which he requested we have inserted in the record. If there is no objection it will be included.
(The statement of Mr. Pilcher follows:)

STATEMENT OF HON. J. L. PILCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. Chairman and members of the committee, I would like to oppose this bill, H.R. 8589, which would eliminate any differentials on the price support of all types of peanuts grown in the United States, for numerous reasons which I shall try to outline as follows:

These differentials have existed even before price support programs were established, and it seems to me that legislating differentials on farm commodities, ignoring all historical differentials, could very well disrupt the farm economy to a point even beyond the wildest imagination.

As an illustration, there has been a constant demand during the last few years on those of us in Georgia and Florida in the tobacco-growing districts to demand certain changes in the differentials on tobacco, and I am sure I need not tell you gentlemen what a terrific fight such a thing could bring on.

Now, if you please, let us return to peanuts and some historical facts about these differences. In 1951 the price support on Southwest Spanish was \$225 per ton and on Southeast Runners \$206 per ton, or a difference of \$19 per ton. Now currently, in 1961, the price support on Southwest Spanish is \$217.37 and on Southeast Runners \$207.84, or a difference of \$9.53.

Gentlemen, this illustrates that any time the Department has shown true inequities, our people have shown good faith by agreeing to adjustments.

I am sure all of you members of this committee are familiar with the various conferences which have been held in this connection during the last 6 months and that there were in the present price support structure minor adjustments in differentials. I am also sure you know that the Department of Agriculture has requested and received names of committeemen who are to serve the Department in further conferences to reconcile the differences between the areas and types.

Now, as pointed out above, I fear differential legislation, and I believe if we will lay aside all animosities and think clearly on this subject, you will agree with me that this bill, and other bills similar to this, should be killed and forgotten.

Mr. THOMPSON. I also ask permission of the committee that all witnesses may have 5 days or any reasonable amount of time to file such statements or supplemental statements as they may desire.

The bells have rung again. I am at the disposal of the committee and the witnesses.

I am willing to start there and come back if that is your desire.

On the other hand, if you would prefer to defer the hearings we will have this to contend with. We have an executive session of the full committee tomorrow. I have looked at the calendar and it is my guess it will take all of our time.

Then we will go into session on the floor where we again repeat this process we have unexpectedly run into today. That means we can go over until Friday if that is your desire.

I have another suggestion I shall make, and I do this without consultation with my committee members. It may not be a good one and it may be a very good one. I would like to see the proponents of this legislation and the opponents, perhaps through their duly appointed representatives, get together with the Department of Agriculture for the balance of this afternoon, and sit with other witnesses as you wish.

Off the record.

(Discussion held off the record.)

Mr. GRANT. This is a matter that I believe that in order to intelligently vote on it a man has to be here and give some attention to the

testimony. There are still some important witnesses to be heard. This matter of running back and forth for the rollcalls and quorum calls makes it very difficult. I will do whatever the chairman suggests.

Mr. ABBITT. I feel the same way, Mr. Chairman.

Mr. THOMPSON. I am at your service, as I said, and I will do as you wish.

Mr. GRANT. Many of these people are from out of town and they are away from their businesses. I know it is difficult for some of these shellers and others to be here. If we can accommodate them I think we should.

Mr. THOMPSON. I certainly agree.

Mr. GRANT. It is demoralizing to have to run back and forth, though.

Mr. THOMPSON. We will answer this rollcall and get back as soon as we can.

(Recess taken.)

Mr. THOMPSON. The subcommittee will be in order.

According to our unanimous consent agreement, we shall call first Mr. Sydney Reagan for 10 minutes.

STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION

Mr. REAGAN. I am Sydney C. Reagan, general counsel for the Southwestern Peanut Shellers Association.

I have with me a detailed statement which I would like to have inserted in the record.

Mr. THOMPSON. Without objection, it will be so inserted.

Mr. REAGAN. I would also like to present the other gentlemen who are with me from the Southwest. Mr. Melvin Shell is president of the Southwestern Peanut Shellers Association and head of the Gorman Peanut Co. Mr. John Haskins is secretary-treasurer of the Southwestern Peanut Shellers Association, and head of a peanut shelling company in Durant, Okla., and De Leon, Tex. I may wish to call on these gentlemen.

Following my testimony, Mr. Barton Scott, who is a peanut farmer in Oklahoma and a member of the board of directors of the Southwestern Peanut Growers Association and who is representing that organization here today, will make a statement.

We are faced with a very difficult problem. Otherwise, we would not be with you today. It is a problem we have worked on for years with the Department of Agriculture, trying to solve it without avail. The latest effort has been one that extended over a period of several months and ended with the Southwest area being in a worse position than before.

This problem is one in which the Department of Agriculture by the way in which price support differentials are determined affects the marketing of peanuts.

The Runner peanut, which is produced in the Southeast, a number of years ago was a very low quality, undesirable peanut; undesirable in comparison with the other types, and often referred to as a "hog" peanut. A great deal of research has gone into this peanut. The Runner peanut of today is simply not the Runner peanut of a few

years ago. That is basically why any price differentials tied in any way to historical price relationships extending over a period of 20 years is absolutely fallacious. What is called a Runner peanut today is not the Runner peanut of 20 years ago. It is a quite different animal.

The Southeast area through their spokesmen, time and time again have extolled the virtues of the Runner peanut. This has been at hearings held by the Department of Agriculture. I have cited in some detail the testimony of representatives of the Southeast with respect to the quality of the Runner peanut.

The prices of shelled peanuts are some indication of the preference or desirability of these peanuts in the marketplace. The Runner peanut has gained in price position with respect to the Southwest Spanish peanuts in terms of the U.S. No. 1 grade. If we go back to 1930 and look at monthly average prices paid for U.S. No. 1 Runners and U.S. No. 1 Southwest Spanish, we find that in almost all months the Southwest Spanish No. 1 brought a higher price than the Runner No. 1.

This situation has changed in the last few years. There has been a very sharp and rapid change. The change has taken place within the last 3 or 4 years. In many months the Runner peanut, U.S. No. 1 Runner, was actually bringing more in the marketplace than the U.S. No. 1 Southwest Spanish.

Peanuts are used for various purposes, but the purpose for which they are used the most and the area in which there is the major competition and the area in which the price of shelled peanuts is set, is the peanut butter field. Some 50 percent of the total shelled peanuts are used for peanut butter.

Back in 1946-47, we had a situation where the Spanish peanut dominated in the peanut butter field. At that time, in the marketing year 1946-47, there were 175 million pounds of Spanish peanuts used in peanut butter. Only 92 million pounds of Runner peanuts were so used. By the last complete marketing year for which data is available, 1959-60, the two types of peanuts had reversed their position. 172 million pounds of Runner peanuts were used in peanut butter, compared to 139 million pounds of Spanish peanuts. In other words, there were fewer Spanish peanuts used in peanut butter in 1959-60 than had been used in 1946-47.

We have some large producers of peanut butter, producers who are quality conscious, companies which recognize that in order to sell to the American public on a mass basis, they must have a quality product and they must have a product which is tiptop in the raw materials that are used. For example, some of the top quality brand peanut butters which use Runner peanuts are JIF, which is put out by Procter & Gamble; Peter Pan, put out by Derby Foods; Big Top, put out by Procter & Gamble; Ann Page, and a number of others, including Skippy peanut butter.

The Skippy people put up a manufacturing plant in Dallas several years ago. They have been a highly important market for our Southwest Spanish peanut. Up until last year they had not used Runner peanuts. Beginning last year they started using Runner peanuts. Roughly 50 percent of the peanuts they used in their plant in Dallas last year were Runner peanuts which had been shipped from the Southeast over to Dallas.

The movement of shelled peanuts from the Southeast to the Southwest by truck became so important, the railroads wanted to get in on it. An application was filed by the railroads, encouraged by the Skippy people, to reduce the freight rates on peanuts between the Southeast and Dallas from \$1.45 a hundred pounds to 80 cents a hundred pounds. I am sorry to say that that request has just been granted. So it will be even easier now for Runner peanuts to come in. We understand the Runner peanuts will continue to be used by the Skippy people.

This is really the heart of the matter. It is a matter of markets. We are losing our markets to the Runner people. The loss of these markets is being encouraged by the policies that have been followed and are still being followed by the Department of Agriculture.

We have done everything we know how in the way of presenting evidence to the Department on this matter, but to no avail.

I should like to comment briefly on the determination which was made a month ago by the Department with respect to the 1961 crop. As I indicated earlier, we are in a worse position than we were before this determination was made.

The Department talks in terms of an average ton of peanuts. They talk about an average ton of Southwest Spanish and an average ton of Runners, an average ton of Virginias, and so on. This average ton is not explained in the press release. Actually the average ton varies in kernel content. After all, it is the kernel content which is important. The average ton varies among the different types of peanuts. It varies oftentimes from one year to the next in the same type of peanut.

If you read the press release, you get the impression that Southwest Spanish are supported below Southeast Spanish, because it says so in the press release—Southwest Spanish at \$217.37, Southeast Spanish at \$224.12. As a matter of fact, the support on a sound mature kernel content basis, in other words, the support per 1 percent sound mature kernels per ton, is the same in 1961 on Southwest Spanish and Southeast Spanish. In 1960-61, there was a 2-cent spread.

The spread between Runners and Southwest Spanish is 8 cents per 1 percent sound mature kernels per ton. This means that the shellers of Runner peanuts, when buying at price supports, are able to buy their raw material at about 0.4 cent a pound lower than are the shellers over in the Southwest. This is a tremendously important price advantage. This is the price advantage that we seek to eliminate.

Frankly, these peanuts are competitive. The Runner peanut is a good quality peanut. We feel that there is absolutely no excuse to look to the past to maintain differences that no longer exist with respect to quality or with respect to market preference.

I thank you.

(Mr. Reagan's prepared statement follows:)

STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN
PEANUT SHELLERS ASSOCIATION

There is an urgent need for Congress to provide through legislation for uniform support by the Department of Agriculture of the various types of peanuts. H.R. 8587, 8588, 8589, 8590, 8591, 8592, 8593, 8594, 8609, 8638, and 8682, which are similar bills, will achieve this result.

I appreciate the opportunity provided by this committee to present the need for this legislation.

Over the past several years the Department of Agriculture has pursued a policy that has resulted in Southwest Spanish-type peanuts being placed at a greater and greater competitive disadvantage. The support price on farmers stock peanuts established by the Department for Southeast Runner-type peanuts has been lowered in relationship to the price support on Southwest Spanish peanuts. In other words, our competing shellers in the Southeast have been able to and are now able to buy Runner peanuts of comparable quality at lower prices than the Southwest shellers have been able to and are now able to buy Southwest Spanish. During the same period that this has been taking place, the Department has reduced the differentials and in 1961 eliminated them between Southwest Spanish and Southeast Spanish.

We have pleaded with the Department over the years to turn from its policy of taking markets away from the Southwest area and giving them to the Southeast area—but to no avail. The latest blow to the Southwest was when the Department announced 1961 differentials about a month ago.

We do not believe the purpose of the price support program is to take markets from one area and give to another area. The bills under consideration will eliminate this abuse by the Department and will permit all types of peanuts to fight it out in the marketplace on a fair competitive basis.

I. DIFFERENTIALS

The support price set by the Department provides the minimum at which shellers can buy farmers stock peanuts. Consequently, this essentially becomes the market price or slightly below the market price to shellers when there is a surplus. Shellers are limited as to the minimum price at which they economically can sell shelled peanuts by the price they pay for the farmers stock peanuts.

Shellers buy sound mature kernels—they do not buy a so-called average ton of peanuts. They can only market to manufacturers what is in each ton of peanuts they buy.

The Department has persisted not in providing uniform support per 1 percent peanut sound mature kernels per ton between Southwest Spanish and Runners, but is going in the opposite direction to the detriment of Southwest Spanish.

In 1956, the support per 1 percent sound mature kernels per ton of farmers stock Runners was 5 cents below the support on Southwest Spanish. By 1960 this spread—to the disadvantage of the Southwest—had been increased by the Department to 9 cents; an increase of 80 percent. This means that southeastern shellers were able to pay about one-half cent a pound less for farmers stock Runners than southwestern shellers could buy Southwest Spanish for, and could either undersell or make more profit than southwest shellers. In 1961, the Department set the differential of 8 cents per 1 percent sound mature kernels.

On the other hand, in 1956 the support per 1 percent sound mature kernels per ton of farmers stock Southeast Spanish was 5 cents above Southwest Spanish. By 1960 this spread—to the disadvantage of Southwest Spanish—had been narrowed to 2 cents; a change of 150 percent. In 1961 the spread was eliminated and the two types supported at the same amount on a sound mature kernels basis. This means that Southwest Spanish have been priced to cut into the markets for Southwest Spanish.

In short, Southwest Spanish were caught between changes in the differentials by the Department with both Runners and Southeast Spanish that worsened the competitive position of Southwest Spanish.

The following compares the support price per 1 percent sound mature kernels per ton by type for 1956 through 1961:

Year	Virginias	Runners	Southeast Spanish	Southwest Spanish
1956.....	\$3.28	\$3.15	\$3.25	\$3.20
1957.....	3.19	3.06	3.18	3.14
1958.....	3.10	2.96	3.07	3.02
1959.....	2.82	2.67	2.79	2.75
1960.....	2.95	2.78	2.89	2.87
1961.....	3.20	3.09	3.17	3.17

This means that in 1961 support per pound for Runners is 15.45 cents and for Spanish is 15.85 cents. This difference of 0.4 cent per pound amounts to \$5.20 a ton with 65 percent sound mature kernels.

The following compares the differences per 1 percent sound mature kernels per ton by years:

[In cents]

Comparison	1956	1957	1958	1959	1960	1961
Runners below Southwest Spanish.....	5	8	6	8	9	8
Southeast Spanish above Southwest Spanish.....	5	4	5	4	2	0
Virginias above Southwest Spanish.....	8	5	8	7	8	3

II. QUALITY

The Runner peanut today is a top quality edible peanut whereas earlier it was a low-quality high damage peanut often referred to as a hog peanut or an oil peanut.

The Runner peanut has proven itself in the market and the producers and shellers of this fine peanut are justifiably proud of it. I want to present the testimony of various distinguished leaders of the Southeast peanut industry on the high quality of Runners and the substitutability of Runners with other types of peanuts.

Mr. D. H. Harden, manager of the GFA Peanut Association, which serves the producers of Runner peanuts produced in the Southeast area, testified in 1958 with respect to the shortage of Runner peanuts as follows:

"I am dealing with peanuts—most of those that go through the loan—and *this year it was quite noticeable that there was actually a shortage of Runner peanuts. We got into the loan 40,000 to 50,000 tons of peanuts. Out of that approximately 20 to 23 were good, or segregation 1. When we speak of segregation 1 we mean with 2 percent or less damage. The shellers in the trade tried to take these Runner peanuts. Earlier we had a good supply of Spanish and there wasn't a hot market for them. After it developed that the situation got bad in Texas we did move the Spanish out and at the present time all of the Spanish have been sold. In fact, after they (shellers) could not get Runners, they bought Spanish and I understand they are buying Virginias.*"²

Mr. Stephen Pace, general counsel of the Southeastern Peanut Association, testified at a hearing in 1958 that all types of peanuts are completely interchangeable and substitutable. Mr. Pace testified as follows:

"I was instructed to state at this meeting that the peanut growers of the Southeast and the peanut shellers of the Southeast are opposed to any allocation of peanuts on the basis of types. All types of peanuts are good peanuts. *They are completely interchangeable and substitutable* and we think it there appears to be evidence that there is going to be a shortage of peanuts that allocation of the additional acreage should be across the board and every peanut grower in the United States should be allotted his fair share of the allotment."²

Mr. G. L. Houston, president, Southeastern Peanut Association, representing shellers and growers in the Southeast, testified at a hearing in 1958 as to the interchangeability among all types of peanuts. Mr. Houston testified as follows:

"1. All types of peanuts are now highly competitive.

"2. *All types are interchangeable for practically any and all needs and uses.*

"3. Any and all can be used for peanut butter or for candy or for roasting or for salting.

"4. The Dixie Runner today is just as good as the Virginia or Valencia for salting, roasting, or the ballpark. They are expanding out West.

"5. It was admitted at the hearing last year that Spanish and Valencia are competitive, interchangeable, or substitutable."³

Mr. E. J. Young, an outstanding member of the peanut industry in the Southeast area, one of the largest shellers in the Southeast, a manufacturer of peanut butter, and currently representing the peanut industry on the Oilseed and Peanut Research and Marketing Advisory Committee of the U.S. Department of Agriculture, in a prepared speech at the 39th annual convention of the Southeastern Peanut Association, Atlanta, June 10, 1957, entitled "Runner Peanuts—Oppor-

² Hearing with respect to the supply of Southwest Spanish-type peanuts for 1958-59 marketing year held on Mar. 14, 1958, room 5968, U.S. Department of Agriculture, Washington, D.C., p. 28. Italic has been added.

³ Hearing with respect to the supply of Valencia-type peanuts for 1958-59 marketing year on Mar. 4, 1958, room 5968, U.S. Department of Agriculture, Washington, D.C., pp. 12 and 13. Italic has been added.

tunity Unlimited," gave an exceedingly clear statement of the market improvement in Runner peanuts and the impact of this improvement on the market for shelled Runners. The members of the Southeastern Peanut Association thought so highly of this statement that they had it printed on slick paper and widely distributed. Since I also think highly of what Mr. Young had to say, I will quote at length from his talk as follows:

"Certainly the lean years for the producers, the shellers, and the manufacturers of Runners and Runner peanut products are behind and as our consumer market grows with the increased population and as more people become aware of the unexcelled qualities of the Runner peanut as produced in the Southeast, unlimited opportunities to market this fine peanut will continue to unfold and all shall prosper.

"Let us look for a few minutes at some of these qualities inherent of the Runner peanut which have contributed to this steady and significant change in consumer preference. Dr. Carver, in writing about his Dixie Runner peanut, stated the flavor of the Dixie Runner is mild and sweet. This apt statement truly expresses the sound and fundamental basis for the increasing popularity of the Runner peanut, because in food products flavor is now receiving more attention by manufacturers and is of prime consideration in the purchase of food products by consumers. * * *

"Change is the law of progress. Nowhere is the axiom more applicable than in the production and shelling of Runner peanuts. With the adoption of improved varieties and in 1956 of new standards for shelled Runner peanuts, manufacturers are today being supplied with a desirable and readily merchantable raw material. The new Runner peanut is uniform in size, consistently counting from 950 to 1,050 kernels per pound and has a smooth seed coat, mild and sweet in flavor, uniform in size, easily blanched and of fine texture and color, the Runner peanut is gaining popularity and strength in the marketplace. Already manufacturers of peanut butter, candy, and specialty lines interested in improving their products have turned to Runners for their peanut requirements. For the first time in years and as late as the 8th of May 1957 the new No. 1 Runner brought as much or more than its leading competitor in the marketplace.

"In November of 1956, Jim Thigpen in addressing the Georgia Farm Bureau, asked the question 'Can the production of peanuts in terms of type, variety, and quality be modified more in line with consumer preference?' We can say today that this question has been answered in large part by the shellers and producers of Runner peanuts.

"Dean C. C. Brown of Columbia University wrote that 'our greatest resource is man's resourcefulness, encouraged by appropriate incentives and expressed in the progressive march of technology. It is the fundamental resource and it is unmeasurable for the future.' In pausing today to look at the Runner peanut and its unlimited opportunity we see that man has been resourceful in developing a peanut adapted to production in the Southeast, adapted to mechanical harvesting and having those attributes preferred by the consumer. We see the incentive as an increased opportunity to expand the market. We see, too, that those interested in the Runner peanut are not resting upon their laurels, that they have joined the progressive march of technology and shall therefore continue to improve their product. * * *

"It is encouraging to note that while the production of Runner-type peanuts was increased there has been an even more significant increase in the use of Runner peanuts for edible purposes. In reviewing the use of Runner peanuts for the period 1945 through 1955, it is interesting to note that the use of Runner peanuts in candy and peanut butter for each of the 3 years, 1953, 1954, and 1955, has exceeded the average use for those two purposes for the 11 years and, in the case of salted peanuts with the exception of the short-crop year of 1954, the use of Runners in salted peanuts for the same 3 years has well exceeded the average consumption for the 11-year period. For the 3 years, 1953-55, the use of Runner peanuts for edible purposes has exceeded the 11-year average by 15, 25 and 20 percent, respectively, while the use of all peanuts for the same 3 years has exceeded the average use of all peanuts for edible purposes by only 6, 5, and 12 percent, respectively."

III. PRICES OF SHELLED PEANUTS

The prices received for shelled Runners by the southeastern shellers in relation to the prices received for shelled Southwest Spanish has improved over the years.

As Mr. E. J. Young pointed out in 1957 with great pride:

"For the first time in years and as late as the 8th of May, 1957, the new No. 1 Runner brought as much or more than its leading competitor in the marketplace."

Tables 1 and 2 show clearly the change that has come about in the relation between the prices received by shellers in the Southeast for U.S. No. 1 Runners and by shellers in the Southwest for U.S. No. 1 Spanish.

During the 27-year period from 1930-31 through 1956-57, in only 6 months did the price of U.S. No. 1 Runners exceed the price of U.S. No. 1 Spanish. These 6 months tended to be at the end or the beginning of a marketing season. But from 1957-58 through May 1961, the price of U.S. No. 1 Runners exceeded the price of U.S. No. 1 Spanish in 27 months. This is a startling change in price relationships in favor of Runners. During the 324-month period from 1930-31 through 1956-57, Runners exceeded Southwest Spanish in only 6 months—less than 2 percent of the time. During the 45-month period from 1957-58 through May 1961, Runners exceeded Southwest Spanish in 27 months—about 60 percent of the time. But during the past 21 months, Runners have exceeded Southwest Spanish in 17 months—about 80 percent of the time.

Yet the Department has continued to ignore the changed position in the market between Runners and Southwest Spanish in setting differentials.

Table 3 shows how the prices of Southeast Spanish U.S. No. 1 shelled peanuts have consistently exceeded the prices of Southwest Spanish.

TABLE I.—Comparison of prices of U.S. No. 1 Runners and Spanish by marketing years, 1930-60

Marketing year	Number of months that price of U.S. No. 1 Runners—			Marketing year	Number of months that price of U.S. No. 1 Runners—		
	Exceeded U.S. No. 1 Spanish	Was less than U.S. No. 1 Spanish	Was equal to U.S. No. 1 Spanish		Exceeded U.S. No. 1 Spanish	Was less than U.S. No. 1 Spanish	Was equal to U.S. No. 1 Spanish
1930-31		8		1946-47	3	8	1
1931-32		11		1947-48	1	10	1
1932-33		10	1	1948-49		10	2
1933-34		11		1949-50		9	3
1934-35		11		1950-51		11	
1935-36		12		1951-52	1	10	
1936-37	1	8		1952-53		12	
1937-38		12		1953-54		12	
1938-39		12		1954-55		8	
1939-40		12		1955-56		12	
1940-41		12		1956-57		10	2
1941-42		9		1957-58	6	6	
1942-43		12		1958-59	4	7	1
1943-44		6		1959-60	12		
1944-45		12		1960-61	5	1	3
1945-46		12					

NOTE.—Less than total of 12 months in a year indicates that 1 or more months were not reported.

EQUALIZE PEANUT PRICE SUPPORT

TABLE 2.—Comparison of price per pound, U.S. No. 1 Runners and Southwest Spanish, by marketing years by months, 1956-61

Year and type	Septem-ber	October	Novem-ber	Decem-ber	January	Febru-ary	March	April	May	June	July	August
<i>1956-57</i>												
Runners.....	17½	18¼	18¼	18¼	18½	18½	18¼	18½	19¼	19½	19½	18½
Southwest Spanish.....	18½	19½	18½	18½	18½	18½	18½	19½	19½	20½	19½	18½
Runners exceed Southwest Spanish.....	-1½	-1½	-½	-¼	-½	-¾	-½	-¼	0	-½	-¼	0
<i>1957-58</i>												
Runners.....	17½	19	19	19	21½	21½	22¼	22½	21¼	21½	21	18½
Southwest Spanish.....	17½	18½	18½	18½	21¼	22	22	22¼	23½	24	24½	18½
Runners exceed Southwest Spanish.....	+½	+½	+½	+½	-½	-½	+¼	-½	-1½	-2½	-3½	+½
<i>1958-59</i>												
Runners.....	17	16½	16¼	16¼	16½	15¾	15¾	15¾	15½	15½	15¼	15½
Southwest Spanish.....	17½	16¾	16¾	16¾	16½	16½	15¾	15¾	15½	15½	14½	14¾
Runners exceed Southwest Spanish.....	-½	-½	-½	+½	-¼	-½	-½	-¼	0	+½	+¾	+½
<i>1959-60</i>												
Runners.....	15½	16½	16½	17¼	17½	17¾	18½	18½	19½	18½	18¾	18½
Southwest Spanish.....	15½	15¾	16	17½	17	17½	17½	18	18¼	18¼	18¼	17½
Runners exceed Southwest Spanish.....	+¼	+½	+½	+½	+¾	+½	+½	+¾	+½	+½	+¾	+½
<i>1960-61</i>												
Runners.....	16½	16	15½	16	16½	16½	17¾	18¼	18¾	18¾	18¾	18¾
Southwest Spanish.....	16½	15½	15½	15½	16½	17½	17½	18	18¾	18¾	18¾	17½
Runners exceed Southwest Spanish.....	0	+½	0	+½	0	-½	+½	+¼	+½	-----	-----	-----

TABLE 3.—Comparison of price per pound of U.S. No. 1 Southeast Spanish and Southwest Spanish by marketing years and months, 1956-61

Year and type	Septem- ber	October	Novem- ber	Decem- ber	January	Febru- ary	March	April	May	June	July	August
<i>1956-57</i>												
Southeast Spanish.....	17 $\frac{3}{4}$	19 $\frac{1}{4}$	19	18 $\frac{3}{4}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{3}{8}$	18 $\frac{1}{2}$	19 $\frac{1}{2}$	19 $\frac{1}{2}$	19 $\frac{3}{8}$	17 $\frac{1}{2}$
Southwest Spanish.....	17 $\frac{1}{2}$	19 $\frac{3}{8}$	18 $\frac{7}{8}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	19 $\frac{1}{2}$	19 $\frac{1}{2}$	20 $\frac{1}{2}$	19 $\frac{3}{8}$	18 $\frac{1}{2}$
Southeast exceeds Southwest Spanish.....	- $\frac{1}{8}$	- $\frac{3}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{4}$	- $\frac{1}{8}$	- $\frac{3}{8}$	- $\frac{1}{2}$	- $\frac{1}{4}$	- $\frac{1}{4}$	- $\frac{1}{4}$	- $\frac{1}{4}$	- $\frac{1}{8}$
<i>1957-58</i>												
Southeast Spanish.....	17 $\frac{1}{2}$	19	18 $\frac{7}{8}$	19	21 $\frac{1}{4}$	21 $\frac{1}{8}$	22	22 $\frac{1}{4}$	23 $\frac{3}{8}$	24 $\frac{1}{4}$	23 $\frac{3}{8}$	18 $\frac{3}{8}$
Southwest Spanish.....	17 $\frac{1}{2}$	18 $\frac{1}{2}$	18 $\frac{5}{8}$	18 $\frac{1}{2}$	21 $\frac{1}{4}$	22	22	22 $\frac{1}{4}$	23 $\frac{3}{8}$	24	24 $\frac{1}{2}$	18 $\frac{1}{2}$
Southeast exceeds Southwest Spanish.....	0	+ $\frac{1}{2}$	+ $\frac{1}{8}$	+ $\frac{1}{2}$	0	- $\frac{1}{8}$	0	0	0	+ $\frac{1}{4}$	- $\frac{1}{2}$	+ $\frac{1}{8}$
<i>1958-59</i>												
Southeast Spanish.....	17	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{3}{8}$	16 $\frac{3}{8}$	16 $\frac{1}{4}$	15 $\frac{7}{8}$	15 $\frac{1}{2}$	15 $\frac{5}{8}$	15 $\frac{1}{4}$	15	14 $\frac{1}{2}$
Southwest Spanish.....	17 $\frac{1}{8}$	16 $\frac{3}{4}$	16 $\frac{3}{8}$	16 $\frac{1}{8}$	16 $\frac{3}{8}$	16 $\frac{1}{8}$	15 $\frac{7}{8}$	15 $\frac{1}{2}$	15 $\frac{1}{2}$	15 $\frac{1}{2}$	14 $\frac{7}{8}$	14 $\frac{3}{8}$
Southeast exceeds Southwest Spanish.....	- $\frac{1}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{4}$	0	+ $\frac{3}{8}$	0	- $\frac{1}{2}$	+ $\frac{1}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{8}$
<i>1959-60</i>												
Southeast Spanish.....	15 $\frac{3}{4}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	17 $\frac{1}{4}$	17 $\frac{1}{2}$	17 $\frac{3}{8}$	18 $\frac{1}{2}$	18 $\frac{1}{2}$	19 $\frac{1}{2}$	19 $\frac{1}{4}$	18 $\frac{3}{4}$	17 $\frac{3}{8}$
Southwest Spanish.....	15 $\frac{3}{8}$	15 $\frac{3}{4}$	16	17 $\frac{1}{8}$	17	17 $\frac{1}{8}$	17 $\frac{3}{8}$	18	18 $\frac{1}{4}$	18 $\frac{1}{4}$	18 $\frac{3}{8}$	17 $\frac{3}{8}$
Southeast exceeds Southwest Spanish.....	+ $\frac{3}{8}$	+ $\frac{3}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{8}$	+ $\frac{1}{2}$	+ $\frac{1}{2}$	+ $\frac{1}{2}$	+ $\frac{1}{2}$	+ $\frac{1}{8}$	+1	+ $\frac{3}{8}$	0
<i>1960-61</i>												
Southeast Spanish.....	16 $\frac{1}{4}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{1}{2}$	16 $\frac{3}{4}$	17 $\frac{3}{8}$	18	18 $\frac{1}{4}$	18 $\frac{3}{8}$	18 $\frac{3}{8}$	18 $\frac{3}{8}$	18 $\frac{3}{8}$
Southwest Spanish.....	16 $\frac{1}{8}$	15 $\frac{7}{8}$	15 $\frac{7}{8}$	15 $\frac{7}{8}$	16 $\frac{1}{2}$	17 $\frac{3}{8}$	17 $\frac{5}{8}$	18	18 $\frac{3}{8}$	18 $\frac{3}{8}$	18 $\frac{3}{8}$	18 $\frac{3}{8}$
Southeast exceeds Southwest Spanish.....	+ $\frac{1}{8}$	+ $\frac{1}{4}$	+ $\frac{1}{4}$	+ $\frac{1}{4}$	+ $\frac{1}{4}$	0	+ $\frac{3}{8}$	+ $\frac{1}{4}$	0	0	0	0

IV. DISPLACEMENT OF SPANISH PEANUTS BY RUNNER PEANUTS

Approximately half of the shelled edible peanuts are used in peanut butter. All types of peanuts are used in making peanut butter and are in direct competition in this use. Runner peanuts have been gaining in this major use at the expense of Spanish.

In the 1946-47 marketing year, only 92 million pounds of shelled Runner peanuts were used in making peanut butter. By 1959-60, the last complete marketing year, the use of Runner peanuts in making peanut butter had increased to 172 million pounds.

In 1946-47 over 65 percent of all peanuts used in peanut butter were Spanish peanuts; by 1959-60 this had decreased to 45 percent. Runners have taken the place of Spanish.

The following table shows by years and in thousands of pounds the quantities of shelled Runner and shelled Spanish peanuts used in peanut butter:

Marketing year	Runners	Spanish	Marketing year	Runners	Spanish
1946-47	92, 121	175, 189	1953-54	150, 028	99, 293
1947-48	82, 963	157, 309	1954-55	165, 739	71, 537
1948-49	76, 672	160, 782	1955-56	154, 891	140, 616
1949-50	106, 205	148, 137	1956-57	171, 305	101, 163
1950-51	139, 461	133, 865	1957-58	158, 320	107, 002
1951-52	134, 175	92, 624	1958-59	180, 695	129, 401
1952-53	167, 051	59, 586	1959-60	172, 285	138, 812

NOTE.—For 1946 through 1951 peanuts used in peanut butter for manufacturers' own use in candy included with peanut butter for these years. Included with candy all other years.

Runner peanuts are used in top quality peanut butter today. Some of the top quality brands using Runners are Peter Pan (Derby Foods), JIF (Procter & Gamble Co.) Big Top (Procter & Gamble Co.), Skippy (Corn Products), and Ann Page (A. & P.). Some of the other manufacturers of peanut butter using Runners are Kroger, Bama Co., Safeway, Blue Plate, and Table Products.

V. RUNNERS SHIPPED INTO SOUTHWEST

The quality and price of Southeast shelled Runners have been and are such that they are shipped into the Southwest for processing into peanut butter under the very shadow of southwestern shellers.

For example, the Bama Co., in Houston—only a few miles from the Hou-Tex Peanut Co. shelling plant—is a big manufacturer of peanut butter. In excess of 75 percent of all the peanuts they use are Runners brought in from the Southeast. This will probably average 100,000 pounds a week throughout the year.

After several years of careful experimentation the Best Foods Division of the Corn Products Co. became convinced that Runner peanuts could be used successfully in Skippy peanut butter—a peanut butter that is a recognized leader in quality. Beginning in 1960 Runners have been used in Skippy peanut butter. In fact, about 50 percent of the peanuts used at the Dallas plant of Best Foods during the 1960-61 were Runners. The Skippy people have been so pleased with Runners that they plan to continue to use them. They have been buying Runner peanuts for delivery from the 1961 crop.

Furthermore, Runner peanuts from the Southeast are hauled through the Southwest to the west coast market.

The shipment of Runner peanuts from the Southeast into the Southwest by truck has taken on such major proportions that an application has been filed with the Southwestern Freight Bureau (application X-B-62-1) on June 7, 1961 to reduce freight rates from \$1.46 a hundred pounds minimum weight 50,000 pounds, to 80 cents a hundred pounds, minimum weight 70,000 pounds from the southeast to Dallas and Lewisville, Tex.

VI. COMPARISON OF COSTS OF SHELLING

The costs of shelling are higher in the Southwest than in the Southeast. On the average it costs about \$5 more to shell a ton of Southwest Spanish than it does a ton of Runners or Southeast Spanish.

These comparisons are based on the costs of CCC of shelling surplus segregation 1 peanuts for edible use from the crop years 1958, 1959, and 1960. The average costs for the 3 years are as follows:

Type	1958	1959	1960
Southwest Spanish.....	\$22.59	\$23.32	\$21.74
Runners.....		17.89	17.04
Southeast Spanish.....	16.48	18.25	17.28
Southwest Spanish exceeds Runners by.....		5.43	4.70
Southwest Spanish exceeds Southeast Spanish by.....	16.11	5.07	4.46

¹ Average.

These differences in shelling costs do not fully represent the disadvantages under which Southwest shellers operate with respect to Southeast Runners and Spanish. The following section shows these disadvantages more fully.

VII. DISADVANTAGES OF SOUTHWEST SPANISH WITH RESPECT TO SOUTHEAST SPANISH AND RUNNERS

The shellers of a ton of Southeast Runner or Spanish peanuts have an advantage of about \$13 a ton over the shellers of a ton of Southwest Spanish peanuts. This can result in Southeast Runners and Spanish selling for less or in a higher profit for the shellers or in both. The following table shows the basis for these statements:

Advantage per ton of farmers stock over Southwest Spanish

Item	Southeast Spanish	Runners
(1) Cost of 25 pounds of bags.....	\$2.75	\$2.75
(2) Cost of freight and commission on bags.....	.10	.10
(3) Total cost of bags.....	2.85	2.85
(4) Recoveries on bags.....	1.00	1.00
(5) Net loss on bags per ton (items 3 minus 4).....	1.85	1.85
(6) Additional cost of handling and storing bagged peanuts.....	1.15	1.15
(7) Cost of opening and handling bags at mill.....	.70	.70
(8) Freight and commission from outside buying points.....	6.00	6.00
(9) Difference in milling outturns.....	3.00	3.00
(10) Extra picking costs on No. 2's.....		.75
(11) Total advantage over Southwest Spanish (items 5 through 10).....	12.70	13.45

In item 5, we show a net loss per ton of farmers stock peanuts arising from the fact that in the Southwest area the majority of peanuts are purchased in burlap bags and the same price is paid for the weight of the bag as for the peanuts in the bag. In the Southeast area, peanuts are purchased in bulk. When a sheller buys a ton of peanuts, he gets a full ton of peanuts rather than a ton of peanuts minus the weight of the bags. Normally, about 33 bags weighing 25 pounds will be purchased when a ton of peanuts is purchased. The bags in a ton of peanuts on the average will cost the sheller \$2.75. In addition to this cost, the sheller must pay a commission to his commission buyer for purchasing the bags and must pay the cost of the freight to ship the bags from the point of purchase to his warehouse. This cost equals about 10 cents a ton. The shellers are able to sell the bags for approximately 4 cents a pound or a total of \$1. This results in Southeast Spanish and Runners having an advantage over Southwest Spanish of approximately \$1.85 as a result of the Southwest Spanish peanuts being bagged.

As a result of peanuts being in bags rather than in bulk, the cost of handling the bags into and out of storage is approximately \$1.15 more a ton than where the peanuts are in bulk and can be handled in a more mechanical fashion. This difference in cost of handling is recognized by CCC in establishing the in-and-out payments in connection with peanuts under price-support loans. This advantage that Southeast Spanish and Runners have over Southwest Spanish is shown in item 6.

It costs approximately 70 cents more a ton to open the bags and to empty them in the mill than it would to handle the peanuts in bulk. This is shown in item 7.

Peanuts are produced over a large portion of Texas and Oklahoma, and the production is generally not concentrated. There are a large number of buying points (where inspections are made) scattered over the southwest area. Only about 20 of these are located at or near shelling plants. Peanuts purchased at the other buying points must be transported to shelling plants for milling. As a result of this, it is necessary for shellers to buy approximately three-fourths of the peanuts in the Southwest through commission buyers away from the shelling plants. The minimum average commission paid by shellers is \$4 a ton. A much smaller percent of the peanuts in the southeast area are bought through commission buyers away from shelling plants. N. M. Penny reported that only 17 shellers out of 50 in Georgia had buying points away from their shelling plants.⁴ In the Southwest it is, of course, necessary for the sheller to bear the expense of having a representative frequently confer with and check on the commission buyers.

We estimate that in the Southwest the average ton of peanuts is transported by the sheller about 200 miles from the point of purchase to the shelling plant at a cost of about 25 cents a hundred pounds or approximately \$5 a ton. In the Southeast, on the other hand, where the area of production is highly concentrated, most of the peanuts are delivered to the door of the shelling plant and the sheller bears no cost of transportation.⁵

Based on the above, we estimate that the advantage enjoyed by the Southeast Spanish and Runners arising from the marketing advantage from commission and freight charges equals about \$6 a ton. This is shown in item 8.

It is well known that at least one-third more No. 2's are produced from a ton of Southwest Spanish than are produced from a ton of Southeast Spanish or Runners. This arises from the climatic characteristics of the two areas. As a result of the great heat and dryness in the Southwest, the peanuts contain less moisture at time of shelling than in the Southeast and, consequently, more of them split open during the shelling process and become classified as No. 2's. This advantage of Southeast Spanish and Runners is estimated at \$3 and is shown in item 9.

It takes approximately twice as long to pick damage from a pound of No. 2's as from a pound of whole kernels, since there will be approximately twice as many pieces. This advantage Southeast Spanish and Runners have in picking costs is estimated at 75 cents and is shown in item 10.

In the above estimates we have used the best information available to us. For example, the basic data on costs of picking out the damage from shelled Runner and Spanish peanuts are based on a study entitled "Industrial Engineering and Economic Studies of Peanut Marketing," by J. J. Moder, Jr., and N. M. Penny, published by the Engineering Experiment Station of the Georgia Institute of Technology cooperating with the Georgia Experiment Station of the University of Georgia, College of Agriculture, published in December 1954.

VIII. PRICING POLICIES OF USDA ON SHELLED PEANUTS

The U.S. Department of Agriculture has recognized in its pricing policies on shelled U.S. No. 1 peanuts held by CCC that when consideration is given to differentials among types, to costs to a sheller, and to the probable prices that will be received on the lower grades of shelled peanuts, the price of Southwest Spanish U.S. No. 1's should exceed the price of U.S. No. 1's of all other types.

As required by statute the CCC sets the price of shelled peanuts for edible use held by it on the basis of "1960 (current) support price plus 5 percent, adjusted for milling, plus reasonable carrying charges under peanut announcement 3 * * * or market price, whichever is higher."⁶

Last summer (1960) the CCC made an extensive study of the matter of pricing peanuts held by it, including an industrywide meeting. Based on the results of this study, the basic sales prices were established for each type. Under the formula developed the price of U.S. No. 1 shelled peanuts per pound held by CCC for June are as follows:⁷

⁴ "Economic Aspects of Peanut Marketing," Bulletin 273, Georgia Experiment Station, Experiment, Ga., 1952, p. 32.

⁵ *Ibid.*, p. 21.

⁶ U.S. Department of Agriculture, CCC monthly sales price list for June 1961, press release No. 1654-61, p. 9.

⁷ In our opinion the formula arrived at did not adequately allow for differences in costs to shellers of Southwest Spanish peanuts as compared to costs to shellers of Runner peanuts and Southeast Spanish. For example, it was assumed that it costs only about \$2.30 more to shell a ton of Southwest Spanish peanuts than a ton of Runner peanuts, whereas we have already seen from CCC shelling experiences during the past 3 years, the difference is about \$5.

	<i>Cents</i>
Virginia-----	20. 96
Runners-----	20. 93
Southeast Spanish-----	21. 31
Southwest Spanish-----	21. 59

Based on these relationships determined by CCC, one would expect U.S. No. 1 Southwest Spanish to average during the 1960-61 marketing year about 0.66 cent above U.S. No. 1 Runners and 0.28 cent above U.S. No. 1 Southeast Spanish.

The market during the 1960-61 year and for several years back has not reflected this spread in the prices of U.S. No. 1's among types. To the contrary.

Based on approximately 1,000 pounds of U.S. No. 1's per ton of farmers stock, this means that the shellers of Southwestern Spanish were getting more than \$6.50 a ton less for the shelled peanuts than they should be based on present differentials.

IX. NO. 2 PROGRAM

Although CCC has insisted on differentials on farmers stock peanuts harmful to the marketing of Southwest Spanish peanuts, it has with equal vigor insisted on uniformity among the various types under the No. 2 program. Under this program—which is a fine one—CCC purchases from a sheller up to 200 pounds of No. 2 peanuts per ton of farmers stock peanuts purchased by the sheller. The 200-pound maximum is uniform for all types in spite of the fact that in the Southwest we make more No. 2's from a ton of farmers stock peanuts than are made in the other two areas. This arises from the hot dry climate in the Southwest that dries the peanuts down to a point that they split in the shelling operation more so than in the other two areas. Furthermore, the price paid by CCC is uniform for all types—there is no recognition given to the fact that CCC through the price support program has compelled shellers of Southwest Spanish peanuts to pay more for the peanuts they buy than do the shellers of Runner peanuts.

We are only asking that a consistent policy be followed by CCC. It should not insist on differentials where it is to the disadvantage of the Southwest and then insist on uniformity where it is also to the disadvantage of the Southwest.

X. SUPERIORITY OF RUNNER PEANUTS FOR DIVERSION

The Runner peanut over the years has proven a definitely superior peanut for diversion. CCC sells a ton of Runner farmers stock peanuts for domestic crushing for approximately \$10 on the average above a ton of Southwest Spanish of the same grade.

Consequently CCC loses about \$15 a ton more on a ton of Southwest Spanish diverted than on a ton of Runners (differential of over \$5 plus additional value of \$10 for diversion).

This arises because of the higher oil content of Runners and because of the more active crushing market in the Southeast than in the Southwest.

We also understand that Runner peanuts bring a premium over Southwest Spanish for export.

The CCC has been increasing its losses on peanuts through the differentials it has established. CCC can and should reduce its losses by correcting the differentials.

XI. ANALYSIS OF 1961 PEANUT PRICE-SUPPORT DIFFERENTIALS

The press releases issued on August 3 and 24, 1961, by the Department of Agriculture and the letters sent by the Department to Southwestern Congressmen were misleading and omitted the most pertinent facts about the determination namely, the support price for each 1 percent of sound mature kernels per ton of farmers stock peanuts by type.

The press releases and letters gave the support for the average ton of farmers stock of each type as follows: Virginias, \$233.69; Runners, \$207.84; Southeast Spanish, \$224.12; and Southwest Spanish, \$217.37. But at no place are the kernel contents of an average ton of each type given.

No farmer ever markets an average ton and his peanuts are not supported as average peanuts. A farmer markets his peanuts or places them under loan based on the sound mature kernel content and the loose shelled and other kernel content.

The average ton sounds confusing, doesn't it? It is confusing and it has beclouded any clear understanding of what the Department has been doing since 1956.

From the beginning of the peanut price support program until 1956 the Department stated price support in terms of a base grade of 65 percent sound mature kernels for Runners and Virginias and 70 percent for Southwest Spanish and Southeast Spanish, with premiums and discounts for each percent of sound mature kernels above or below the base grade. Everyone knew what the base grade was and understood it. In 1956 when the Department began shifting differential relationships between types, it abandoned stating price support in terms of base grades and began talking about an average ton of each type. But the content of the average ton was often changed from one year to the next by the Department and it was not the same for all types in the same year. Consequently, it did not represent comparable sound mature kernel content between types in the same year or between years for the same type. It has resulted in endless confusion—which may have been what the Department intended.

Table 4 shows the sound mature kernel content assumed by the Department in the average ton of farmers stock peanuts by type each year from 1956 through 1961. The percent of sound mature kernels is not the same for any two types and changes have been made in the average ton for the same type.

Beginning in 1956 we have repeatedly pointed out to the Department that it actually supports a ton of peanuts based on its kernel content, that shellers buy kernel content, and that the only meaningful comparison is the support per each 1 percent sound mature kernel content. The support for each 1 percent of sound mature kernels—not given in the press release and letters—are as follows: Virginias, \$3.20; Runners, \$3.09; Southwest Spanish, \$3.17; and Southeast Spanish, \$3.17. The support for loose shelled kernels and other kernels is 7 cents a pound for all types regardless of area.

When the farmer brings a load of peanuts to be placed under price support (or to be sold to a sheller) they are weighed and then graded by the Federal-State Inspection Service and the following is determined: The percent of the total weight of the peanuts in the shells that are sound mature kernels, the pounds of other kernels, and the pounds of loose shelled kernels. Then the price support is determined by multiplying the price support for each 1 percent of sound mature kernels by the total percent of sound mature kernels and multiplying the price support for each pound of loose shelled and other kernels by the pounds of these kernels.

Under the 1961 determination by the Department, when three farmers each bring a ton of farmers stock peanuts to place under loan and when all have the same percent of sound mature kernels and the same pounds of loose shelled and other kernels, what support is each entitled to assuming farmer A has Runner peanuts, farmer B has Southwest Spanish peanuts, and farmer C has Southeast Spanish peanuts? This can best be illustrated and is in table 5.

The support on the uniform ton of Runners is \$5.20 below the support on the same uniform ton of Southwest Spanish.

The support on the uniform ton of Southwest Spanish is the same as the support on the uniform ton of Southeast Spanish. But in 1960 the support on the Southeast Spanish was 2 cents above Southwest Spanish for each 1 percent of sound mature kernels. Consequently, in 1960 the support on the uniform ton of Southeast Spanish would have been \$1.30 (2 cents multiplied by 65 percent sound mature kernels) above Southwest Spanish. The Department in 1961 wiped out this differential to the detriment of Southwest Spanish.

XII. CONCLUSIONS

We believe that we have made a strong case for our recommendation that the support per 1 percent sound mature kernels per ton of farmers stock peanuts be uniform.

1. We have shown how the differentials have been widened between Southwest Spanish and Runners in the face of mounting evidence that the spread should be eliminated.

2. Runners have improved greatly in quality until they are used in top-branded products. Their high quality and their substitutibility for other types has been testified to by distinguished leaders of the Southeast—both growers and shellers.

3. There has been a marked shift in the price relationships of shelled peanuts between Runners and Southwest Spanish. It has not been many years since U.S. No. 1 Runners sold substantially below U.S. No. 1 Southwest Spanish. That day is past. Now Runners tend to sell above Southwest Spanish.

TABLE 4.—*Percent of sound mature kernel content assumed by Department of Agriculture in average ton of farmer stock peanuts by type*

Crop year	Virginias	Runners	Southeast Spanish	Southwest Spanish
1956.....	65.58	61.56	64.52	64.20
1957.....	66.47	63.82	68.21	66.20
1958.....	66.47	63.82	68.21	65.65
1959.....	66.50	64.00	68.75	65.25
1960.....	67.00	64.25	68.75	65.25
1961.....	68.50	64.25	69.25	65.25

NOTE.—The sound mature kernel content has reference to the percent of the weight of the farmers stock peanuts that are sound mature kernels.

TABLE 5.—*Support value of a uniform ton of Runners, Southwest Spanish, and Southeast Spanish 1961 price support*

Type	Value of sound mature kernels	Value of loose shelled and other kernels	Total value
Runners.....	\$3.09×65=\$200.85	\$0.07×200=\$14	\$214.85
Southeast Spanish.....	3.17×65= 206.05	.07×200= 14	220.05
Southwest Spanish.....	3.17×65= 206.05	.07×200= 14	220.05

NOTE.—The table is based on a ton of uniform quality peanuts with 65 percent sound mature kernels and 200 pounds of loose shelled kernels and other kernels. The announced support for each 1 percent of sound mature kernels is \$3.09 for Runners and \$3.17 for Southwest Spanish and Southeast Spanish and 7 cents for each pound of loose shelled kernels and other kernels.

4. There has been a shift in the manufacture of peanut butter from Spanish to Runners. Top brands—such as Skippy—are now made from Runners.

5. Shelled Runners enjoy such a competitive advantage that they are shipped into the Southwest producing area in considerable quantities. For example, the great majority of the peanuts used by the Bama Co. in Houston are Runners. Fifty percent of the peanuts used during 1960-61 in making Skippy peanut butter in Dallas have been Runners.

6. The costs to shellers of handling Southwest Spanish are considerably higher than the costs of handling Runners to Southeast shellers. This is substantiated by the experiences of CCC in shelling peanuts.

7. When consideration is given to the present differentials the CCC's minimum prices for shelled No. 1 peanuts show that Southwest Spanish should sell about \$0.66 a pound above Runners. This would amount to about \$6.50 a ton of farmers stock peanuts. Yet U.S. No. 1 Southwest Spanish are selling below U.S. No. 1 Runners on the market.

The present differential between Runners and Southwest Spanish is 8 cents per 1 percent sound mature kernels. Based on 65 percent sound mature kernels in a ton of farmers stock peanuts, this differential amounts to \$5.20 a ton.

Consequently, based on the Department's own estimates of relative sales prices of U.S. No. 1's by type based on present differentials and the Department's own statistics on prices actually being paid, the differentials between Runners and Southwest Spanish should be eliminated.

8. The Department has established uniformity under the No. 2 program. This is a good precedent to apply to the differentials matter.

9. The CCC is increasing the losses under the price support program by setting differentials to divert Southwest Spanish instead of Runners.

Consequently, we urge that support per pound of sound mature kernels and per pound of other kernels be made uniform for all types.

We shall be happy to answer questions.

Thank you.

STATEMENT OF BARTON SCOTT, SOUTHWESTERN PEANUT GROWERS' ASSOCIATION

Mr. SCOTT. Mr. Chairman, I am Barton Scott, peanut farmer from Oklahoma. I appear today representing the Southwestern Peanut Growers' Association and their membership in the peanut production area west of the Mississippi. Our position coincides with the position stated here by Dr. Reagan, inasmuch as we feel that this is a struggle for markets.

Our growers are vitally concerned with the market for their product. We feel that the growers in the Southeast are in the same position. It is our growers' thinking that if we could have strong leadership among the three growing areas, united under a National Peanut Growers' Association, the growers could solve this problem; but as of this date this leadership has not emerged, and our growers' groups have been put in the position of representing not only their interests, but the interests of others, in order to maintain the markets.

The growers of the Southwest do not want to produce peanuts for a diversion program. We want our peanuts to be consumed. I am sure that is the position of the growers in the Southeast. But you see a shift in the markets for peanuts and, as Dr. Reagan stated, he feels much of this has been brought about by the price differential among the types of peanuts. We share that feeling.

We are diverting a larger percentage this year in the Southwest than in any other year since the 1946 period when we moved out of the production of peanuts for oil. Even though in the Southwest we harvested only 77 percent of our allotted acres, we have this large diversion. We feel that our growers should be allowed to produce and harvest 100 percent of their acres. Should this occur, we would have a great deal more peanuts diverted into the oil program than Southeast.

We feel that we must resolve this matter for the protection of all growers in all areas, and put it on a sound basis by determining a sound base grade for peanuts per 1 percent sound mature kernels, and reflect a base price so everyone will know what he is dealing with and what the program is based upon. We are happy to be here and will not consume any more of your time. We feel that this question can be resolved and we hope it can be resolved without too much turmoil.

Mr. THOMPSON. Thank you, Mr. Scott.

We shall hear next Mr. Stephen Pace, in behalf of the Peanut Growers and Shellers of Alabama, Florida, and Georgia.

STATEMENT OF STEPHEN PACE, IN BEHALF OF THE PEANUT GROWERS AND SHELLERS OF ALABAMA, FLORIDA, AND GEORGIA

Mr. PACE. Mr. Chairman and gentlemen of the committee, I am delighted to meet again with my friends. I am sure you can understand it is not too pleasant to be here in disagreement with some of my friends.

Mr. Chairman, sitting here today, I have definitely gained the idea that you have the impression that in announcing the 1961 support price on the 1961 peanut crop there was considerable manipulation,

that the whole thing was changed and something was put in here which is just awful.

Mr. Chairman, do you have a pad there in front of you?

Mr. THOMPSON. Take this one, Mr. Pace.

Mr. PACE. Here is exactly what happened. The support on Virginias on the 1960 crop was \$213.93. The support price this year is 85 percent of parity. Last year it was about 76 percent of parity. That means in dollars the support price was increased \$19.76, across the board. The \$220 made an increase in support of \$19.76.

Add the \$19.76 to the \$213.93, and you get \$233.69, don't you, Mr. Chairman? What is the support price on Virginias that year? \$233.69.

Take one more. I will not go all the way. Take Southeast Spanish. Last year it was \$204.36. Add \$19.76 to it. You come up with \$224.12, do you not?

Mr. THOMPSON. My accountant says you are right.

Mr. PACE. The Board changed the value on one kernel and changed it on the other one, but it left exactly the same result. It did not change anything except adding \$19.76.

In addition to that, for many years they have been deducting from the support price \$9 from the grower to pay the cost of warehousing, inspection, and some other little charges. We succeeded in getting that \$9 eliminated. So they will get \$9 more. Add \$9 to that.

It means that the increase in the support price this year to the grower is \$28.76. Is that right?

The growers have applauded what the Board has done, and I have applauded it. On the 1961 crop they have given every peanut grower in the United States \$28.76 more than he got last year.

Is that finagling? Is that something that happened down under here which is outrageous? Is that an excuse to reflect on Charlie Murphy or to reflect on the other five members of the Board?

I think it was smart, and I think that 95 or 98 or 99 percent of the peanut growers of the Southeast, the Southwest and the Virginia-Carolina area are very happy with it.

You cannot get much happiness, to my mind, out of the Southwest when this bill is going to reduce the support price to the growers of the Southwest.

Mr. Chairman, what does this bill amount to, to the shellers of the Southwest, who made this proposal?

I have here a table. We were going to distribute these tables to you as we came to them, but now we must put them together and get the clerk to take them to your office. I wish you to read my written statement.

This bill means to the shellers of the Southwest reducing the support price on Southwest Spanish. It does not mean a thing in the world. In 1956, the Southwest shellers paid \$22.57 a ton above the support price in the Southwest. In 1957, they paid \$9.67 above the support price. In 1958, they paid \$10.31 above the support price. In 1959, they paid \$8.17 above the support price. Last year, they paid \$6.39 above the support price when 36,000 tons had to go under loan. The surplus did not have anything to do with it.

Suppose you reduce it a dollar or two to try to run a peanut around, it will not mean anything to them. They put 39,000 tons under loan last year in the Southwest, and the CCC had to take over 30,000

tons of it. That shows they were not paying above support on account of a short crop. They did it on account of a very peculiar competitive situation in the Southwest.

Mr. Chairman, have you read the report on this bill? Does not the report say that the Board was convinced that the Southwest proposal was not the best and most accurate way to fix support prices? Is that not what they said? I can give it to you.

Mr. THOMPSON. I see it.

Mr. PACE. They said it was not the most accurate. They said that it would not be equitable as between the different groups and it did not seem wise to change substantially the differential until they could get something better.

They appointed an advisory committee. Back here is Mr. Moultrie Sessions, chairman of the Executive Committee of the Southwestern Peanut Association. He has already had the letter. He has already appointed an executive committee and I understand practically everyone else has done the same thing, growers and shellers.

Mr. THOMPSON. Mr. Pace, in the interest of continuity, to get the whole story in the hearing at one place, why not put the whole letter from Charlie Murphy in the record at this point.

Mr. PACE. Yes, sir. I ask that that be done.

Mr. THOMPSON. That will go in the record at this point.

Mr. PACE. It is true that Mr. Murphy said at the conclusion that if the Congress wanted to act on it, they would not object, but if you read his letter you will see that was the gesture of a very gracious person.

(The letter referred to follows:)

AUGUST 24, 1961.

HON. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives.*

DEAR MR. COOLEY: This is in reply to your request of August 11, 1961, for a report on H.R. 8589, a bill to amend the Agricultural Act of 1949, as amended.

The bill provides that beginning with the 1962 crop, in the case of peanuts, the same support price shall apply to each pound of sound mature kernels for all types of peanuts. In addition, the bill provides that all discounts and premiums shall be the same for all types of peanuts except that premiums shall apply to extra large Virginia type peanuts and Valencia type peanuts suitable for cleaning and roasting.

The proposal embodied in the bill was considered carefully by the Department this year in the light of existing views and available information. The Department was not convinced as a result of this consideration that this proposal was the most accurate method of determining the value of farmers' stock peanuts or that it would be equitable as between different groups of producers and shellers. In the circumstances, and particularly because the planting time for the 1961 crop was past, it did not seem wise to change substantially the differentials established for the prior crops.

However, we are not fully satisfied with the differentials as presently established and are disturbed by the conflict of views among the producers and shellers from the three producing areas. Therefore, action is now being taken to establish an advisory committee of growers and shellers from the different areas to assist in developing recommendations on differentials for next year. We had hoped with the cooperation of shellers to bring together information not now available which would permit more specific appraisal of points now in question and which might provide the basis for agreement upon differentials.

However, if the Congress believes it would be desirable to establish the differentials by legislation at this time, the Department would not object.

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, *Under Secretary.*

Mr. PACE. Mr. Chairman, I think it would be very much worth while for you to let the industry try to settle this. I am afraid it is a little bit too complicated, if you will permit me to say so, for you and me. I do not believe you and I could ever work the thing out. It is just as delicate as anything could be.

You have a competitive system on peanuts which was built up through the years. If you try to regulate it through legislation, I think you will ruin it.

There is one other thing I have to discuss with you.

The purpose of this bill is to try to price Runner peanuts out of the peanut butter market. Mr. Chairman, you do not have this table, but it will be taken to your office. Here is a table which shows the percent of use of each type of peanut. There are four uses—peanut butter, candy, salted peanuts, and others, which I understand is sandwiches—little sweets with some peanut butter on them.

In 1958, 88.3 percent of all Runner peanuts that were sold for edible use were used in peanut butter, 8 percent in candy, 0.3 percent in salted, and 3.4 percent in the other category.

In 1959, 87.5 percent of the total Runner market was peanut butter. The other was 12½ percent.

That 12½ percent amounts to 21,000 tons of Runner peanuts. Last year we produced 308,000 tons of Runner peanuts.

If there was no peanut butter at all we would have sold 221,000 tons production.

I want to leave this question with you: If you want to keep the support price of Runners up and kick the price of Southwest Runners down, which I think the witnesses have told you the result will be, what will you do with the Runner peanut? This bill is to legislate them out of business.

Who is our first witness?

Mr. THOMPSON. Before you put the first witness on, let me remind you that before we adjourned I urged you experts to try to get together with the Department and try to work these difficulties out. Nobody is more interested in this than I am because the whole program as I so well know is in danger every time you go to the floor.

Mr. PACE. Yes, sir. I am scared of it.

Mr. THOMPSON. There is opposition. I would like to see this thing worked out. I would like for you experts to do it. I remind you that before you left the House of Representatives I used to come to you as the expert and seek your advice in regard to peanuts. That is what I am doing now, seeking advice of the experts. I believe that goes for the other members of the committee.

Mr. PACE. In light of developments I would like to go home tonight but I would be delighted to stay here tomorrow and go with you or go with my friend Sydney Ragan or go with anybody and spend a day in the Department. I do not know what to do when I get there. They cannot change the 1961 figures now.

Mr. THOMPSON. Nobody is proposing to, that I know of.

Mr. PACE. They have promised you that they need an advisory committee so they can act intelligently in the future.

(Mr. Pace's prepared statement follows:)

STATEMENT BY STEPHEN PACE IN BEHALF OF THE PEANUT GROWERS AND SHELLERS OF ALABAMA, FLORIDA, AND GEORGIA

Mr. Chairman, the representatives of the peanut growers of the Southeast and the Southeastern Peanut Association appreciate and welcome the opportunity to appear in opposition to the numerous pending bills which seek to fix by law the exact method for determining how peanut price support differentials shall be determined. As I understand H.R. 8589 has been selected for consideration at this hearing.

I appear in a dual capacity, that is as counsel for the peanut producers of Alabama, Florida, and Georgia, and as counsel for the peanut shellers and crushers of these three States. It is in this area that approximately one-half of all peanuts in the United States are grown. Last year the total United States production of peanuts, as shown by the last or December 1 crop estimate, was 886,412 tons, of which 436,950 tons were produced in Alabama, Florida, and Georgia. The June 1, 1961, table of the Oils and Peanut Division shows that during the last 41 years—1920 through 1960, production in the Southeast area was 50.1 percent of the total production.

With your permission, Mr. Chairman, I should like at this time to introduce the witnesses who are here in opposition to this bill—(1) Growers, (2) Others.

Mr. Chairman, before discussing the merits of the bill before the committee I should like to present two questions, both of great importance, both of which will need to have the special attention of the committee.

1. The first question is Where do we go from here if this bill should be approved and enacted into law? The bill proposes to take peanuts out of the long list of supported commodities and to fix, by law, a firm, specific, and inflexible formula for the determination of the producer support on each type of peanuts.

Mr. Chairman, that has never been done for any commodity. And, so far as I can determine, it has never been requested, or even suggested for any other commodity by its producers, its processors, or its manufacturers. Since 1949, up to this hour, these determinations have been made by the Department's administrative authorities and the Board of Directors of the Commodity Credit Corporation under the terms and conditions of section 403 of the Agricultural Act of 1949, which reads as follows:

"SEC. 403. Appropriate adjustments may be made in the support price for any commodity for differences in grade, type, staple, quality, location, and other factors. Such adjustments shall, so far as practicable, be made in such manner that the average support prices for such commodity will, on the basis of the anticipated incidence of such factors, be equal to the level of support determined as provided in this act."

Mr. Chairman, to make certain about this, some days ago I requested my Congressman, Mr. Forrester, to check this question with the appropriate authorities in the Department, and with your permission, I should like for Congressman Forrester to report to the committee at this time.

Mr. FORRESTER. Now, Mr. Chairman, what is going to be the very probable result or effect should this bill be enacted?

Judging from my own experience in matters of this kind I would not be at all surprised if the House Committee on Agriculture was not kept busy for a long time to come with bills of a similar nature relating to other supported commodities. When the word went out that one small segment of an industry, like in this case, can come to Congress and write their own formula for peanut differentials for the entire industry, you will likely have bills by numerous Members of the Congress seeking the same kind of advantage for their producers back home.

I might add, Mr. Chairman, that already news about these bills and this hearing has been widespread in Georgia, where there has been much dissatisfaction with the present price support schedule on Flue-cured tobacco. I don't know whether a tobacco amendment will be offered to this bill, but I know it has been discussed. I shall personally oppose such an effort as it would further confuse and complicate the bill on peanuts now before this committee, which few Members of the Congress will ever have the time to really study and understand.

Mr. Chairman, the second question I want you to help me with is as follows: When it comes to buying Spanish peanuts from the growers of Texas and Oklahoma what benefits do the shellers of these two States hope to receive if this bill should be enacted?

That question arises from an examination of table 3, copy of which I now present to you.

You will observe it covers the 5 years 1956-60 and shows the growers support price for each year by types and areas, the prices the shellers in each area paid the farmers, and the amount this price was below or above the support price.

Now look at the bottom of the table, at the Southwest area. You will observe that the support, in column 1, had no effect and no control on the prices the Southwest shellers paid the growers, as shown in column 3; that is, they paid the growers substantially above the support price in each of the 5 years—ranging from an average high of \$22.57 per ton to \$6.39 per ton above support. I have before me a table by the Department dated June 27, 1961, showing that over the period of 10 years, 1951-60, the Southwest growers were paid 103.08 percent of the support price. And it does not appear that a short crop or a surplus had much influence on this, as this June 27, 1961, table shows that the Southwest shellers paid 103 percent above support for the 1960 crop although CCC had to take over a surplus of 30,000 tons of 1960 crop peanuts.

Under this bill, as you will see later, the support price of Southwest Spanish peanuts is reduced. The reduction will be \$3.42 per ton if loose shelled kernels, other kernels, and damaged kernels are priced at 7 cents per pound, and the reduction will be \$1.74 per ton if these kernels are priced at 10 cents per pound. Therefore, if this bill is enacted it will have only one real effect in the Southwest; that is, the Southwest growers putting their peanuts under loan will get less than they will if this bill is not enacted. Certainly this committee does not want to treat the Southwest growers that way.

Now, Mr. Chairman, I should like to discuss the bill, its background, terms, and effect.

The first support on peanuts was in 1937, \$60 per ton as I recall. It became necessary for the Department to work out the dollar-and-cents supports on each type—Virginia, Spanish, and Runners. An investigation was made to determine what the growers had been receiving in the market for their peanuts. The figures received in that way were then used to fix the support price differentials on the three types. This became known as the historical method and was followed for many years. Later it became known as the 20-year historical plan, under which each succeeding year the oldest year was dropped and the latest year was added. This plan gradually reflected any changes in the price paid growers.

This continued until 1958. That year the Department used (1) the average of the 20-year series method, (2) the average of the values of constant sound mature kernels, with allowance for other kernels, and (3) the average of the constant sound mature kernels, without allowance for other kernels, and (4) then took the average of these three averages.

You will observe that this formula for the 1958 peanut crop, which was followed for the 1959 and 1960 crops, took into account the market price of farmers stock peanuts in previous years—just exactly as they do with tobacco support prices today—and also the value of sound mature kernels and allowances for other kernels.

In June, Mr. Thigpen, Director of the Oils and Peanut Division, called a conference of growers and shellers from the three peanut-producing areas to discuss price support differentials on the 1961 crop to be held June 28, just as he had done in previous years. It was at this meeting, without previous notice to anyone, that Mr. Sydney Reagan, general counsel for the Southwestern Peanut Shellers Association, stating that he was acting in behalf of the sheller members of that association and his recommendation had been approved by such members, proposed "that the support per 1 percent sound mature kernels per ton of farmers stock peanuts be uniform between Southwest Spanish and Runner peanuts."

He stated that the purpose and effect of his proposal was to "eliminate the differentials between Runners and Southwest Spanish"; that is, to increase the support price of Runner peanuts and decrease the support on Southwest Spanish. While he didn't say as much, he purpose was to price the Runner peanuts entirely out of the market. Also his proposal did not suggest any value at all for loose shelled kernels, damaged kernels, and other kernels.

The President of the Commodity Credit Corporation, Hon. Charles S. Murphy, and the other directors, held conferences, conducted hearings, and gave great consideration to this Southwest Shellers proposal. This went on for at least a month. Differences in views continued between the areas, it was harvest time for Southeast Spanish, and on August 3 the 1961 crop support by types was announced. The Board continued the 1960 differentials except to increase the value of loose shelled kernels and other kernels from 6 to 7 cents per pound, and

eliminated the \$9 per ton deduction made in previous years for inspection, storage, and other charges. This action was applauded by growers everywhere, because it meant that every peanut grower in the United States will receive the full benefit of the \$28.76 increase in the support price on the 1961 peanut crop. I applauded it, Mr. Chairman. I worked to get the support increased from the 78.6 percent on the 1960 crop to 85 percent of parity on the 1961 crop, and to get the \$9 deduction eliminated. I do not think such action by Mr. Murphy and his associates justifies this committee, by approving this bill, in reprimanding those gentlemen and removing from them all authority in the determination of peanut price supports by types. Certainly, I have never seen six men give more time, more thought, and more effort to a problem of this nature. You may find them unworthy of the trust, Mr. Chairman, but I shall have no part of it.

In responding to Chairman Cooley's request for a report on this bill Under Secretary Murphy stated in part:

"The proposal embodied in the bill was considered carefully by the Department this year in the light of existing views and available information. The Department was not convinced as a result of this consideration that this proposal was the most accurate method of determining the value of farmers' stock peanuts or that it would be equitable as between different groups of producers and shellers. In the circumstances, and particularly because the planting time for the 1961 crop was past, it did not seem wise to change substantially the differentials established for the prior crops.

"However, we are not fully satisfied with the differentials as presently established and are disturbed by the conflict of views among the producers and shellers from the three producing areas. Therefore, action is now being taken to establish an advisory committee of growers and shellers from the different areas to assist in developing recommendations on differentials for next year. We had hoped with the cooperation of shellers to bring together information not now available which would permit more specific appraisal of points now in question and which might provide the basis for agreement upon differentials."

Mr. Chairman, please pardon me for asking: Do you, and the other members of this committee (1) have the full information which Under Secretary Murphy says is necessary for a proper appraisal of the issues involved; (2) are you so satisfied with your understanding of the subject that you have no need for the views of the advisory committee of growers and shellers from the different areas which Under Secretary Murphy has arranged; (3) do you want to tell all the peanut shellers in the industry that you don't need and don't want the information Under Secretary Murphy has mentioned, which might provide the basis for agreement upon differentials—which could mean so much to the entire industry?

Under Secretary Murphy said, in his report to Chairman Cooley, that he and the CCC Board had "considered carefully" the proposal embodied in the bill before you, but they were "not convinced that this proposal was the most accurate method of determining the value of farmers stock peanuts or that it would be equitable as between different groups of producers and shellers." It's true he stated that the Department would not object if the Congress believes it desirable to establish differentials by legislation; but I'm sure you will agree that was the act of a gracious person and is not in accord with the other portions of his report.

And I must add here, Mr. Chairman, that I don't believe that you and the other members of the committee are going to approve any bill which, in the words of Under Secretary Murphy, is "not the most accurate method of determining" peanut price supports by types, and would not "be equitable as between the different groups of producers and shellers."

Nor, Mr. Chairman, I should like to show you and the members of the committee what this bill deals with, believing it will be of great help to you in reaching a better understanding of the issues involved.

We have had prepared a representative sample of each of the types of peanuts which will be materially affected by this bill—Virginias, Runners, Southwest Spanish, and Southeast Spanish. That is, these samples are not the contents of any particular ton or pound of peanuts, but each represents the average grade of each of the four types for the entire 1960 crop, as supplied us by the Department of Agriculture. I will ask Mr. Sessions to display and explain each sample.

(Exhibition.)

Now what does this bill provide as the method for determining price support differentials for the 1962 peanut crop if the bill should be enacted?

It would require the Department of Agriculture hereafter and henceforth—

- (1) To apply the same support price, for all types, to—
 - (a) each pound of sound mature kernels, and
 - (b) to each pound of all other kernels; and

(2) To fix all discounts and premiums the same for all types, except that premiums shall apply to extra large Virginias.

Now let's apply these provisions of the bill to these samples. I shall hand you table dated August 15, 1961, prepared by the Oils and Peanut Division which sets forth how the provisions of the bill would be applied and the results.

1. Each percent of these four piles of sound mature kernels would have the same value. At the present time they do not—each percent of sound mature kernels of Virginias is now valued at \$3.20, of Runners \$3.09, and of Southeast Spanish and Southwest Spanish \$3.17—exactly the same. You will find that column under the heading "1961 Announced."

The question has been asked, "Why shouldn't each pound of sound mature kernels have the same value?" My answer is that they should if they should all be used for peanut butter and there was nothing in a pound of peanuts except sound mature kernels. But, as you see before you, the average ton of peanuts, of each type, has a widely varying percent of other nuts.

I hand you table 12. If you will look at the column headed "Loose Shelled Kernels" you will see the difference in each type. These are kernels which have the shells knocked off in harvesting, in picking, in hauling, in loading in the warehouse, etc. You will observe there is an average of only 2.07 percent of loose shelled kernels in the Virginia type, 2.79 percent in Runners, 5.10 percent in Southeast Spanish, and only 2.58 percent in Southwest Spanish. This shows that the highest percent of loose shelled kernels is in the peanuts grown in the Southeast, Runners and Southeast Spanish. But this situation is aggravated by the fact that only in the Southeast area is there high insect infestation of our peanuts while in storage. We have been working for years to overcome this costly infestation and are still trying. These loose shelled kernels are the first nuts to be attacked by the insects because the shell is gone and all they have to do is to go to eating. The result is that there is very little market value for these kernels.

Now look at the column headed "Damaged Kernels." You will observe that in Virginias there is less than 1 percent, in Runners 1.02 percent, Southeast Spanish 1.62 percent, and Southwest Spanish only 1.07 percent. These damaged kernels have no value except for crushing into oil, with a value of about 7 cents per pound. But the bill says all of these kernels, loose shelled, damaged, and others, must be supported at the same price. If you will look at your copy of the August 15, 1961, table you will observe (par. b), the Department used 7 cents for all these kernels in method 1b. And, see paragraph c at the bottom, they use 10 cents per pound. If 1962 is a good crop there could be some heavy losses on loose shelled kernels and damaged kernels.

But the most interesting item is "other kernels" as that term includes everything else in a ton of peanuts. Let's take a look at some of these other kernels from the Southwest. I would call them pegs or peewees, but in the Southwest they are known as 2000 count, 2100 count, 2600 count, 3000-3200 count, etc. You will be interested in the price the Southwest shellers get for them. I hand you report of sales of April 19, 1961, by the Peanut Market News issued by the Agricultural Marketing Service, USDA. You will observe sales that week ranged from 13 to 15 cents per pound, a very nice price and a very nice profit, although the grower didn't get anything like that when he sold the peanuts.

There is evidently a substantial quantity of the small "count" peanuts milled out of the other kernels in the Southwest, as sales are quoted in many of the weekly Peanut Market News. The price moved up to 15 cents on 2100 count May 3, 1961, and remained steady until June 21 when prices were quoted at 15-15½ cents per pound. During the same period 3000-3200 count moved up to 12 cents. There are no comparable values in Southeast Spanish, Runners, or Virginias. If the Virginia-Carolina growers are given a special premium on extra large kernels then certainly the Southwest growers should be given some benefit from these small count peanuts found in their Spanish; which, as I understand, is due to dry weather but do not shrivel as in the Southeast.

Therefore, it must be recognized that there are more than sound mature kernels in every type of peanuts. While they are the major part for the determination of value, the market value of all other kernels must be taken into account. This bill proposes the same value on all sound mature kernels and then, in the next few lines, provides a premium for Extra Large Virginias. Why stop there?

In fixing price support differentials on tobacco "market price differentials of recent years" are taken into account. Differentials are established for class, grade, variety, etc., of wheat based on "historical market demand." Up to this time the prices peanut growers have received in past years, known as the "20-year

historical plan," have been an important factor in establishing price support marked exhibit IV differentials, but this bill leaves it out—throws it in the wastebasket, as it were.

Why, Mr. Chairman? It's used with respect to other commodity supports. It was a helpful factor in reaching a fair and equitable differential between types of peanuts. I don't know what your answer would be, Mr. Chairman, but the facts lead me to but one conclusion and I give it to you, candidly, with the highest respect for all parties concerned—the formula contained in this bill was conceived and is now proposed for one single purpose and that is to increase the support price for Runner peanuts and decrease the support price on Southwest Spanish peanuts, and, at the same time, retain the favorable differential which Southwest shellers now have as between Southeast and Southwest Spanish peanuts. If you will glance at the August 15, 1961, table (table 13) now before you, which shows supports by type on the 1961 crop and the changes this bill would make, you will observe:

1. That Southwest Spanish are supported this year at \$217.37 and Runners at \$207.84, making Runners supported at \$9.53 per ton under Southwest Spanish;

2. That under this bill, using method 1-b, the support to the southwestern growers would be \$213.95—\$3.42 less than this year—while the support on Runners would be raised from \$207.84 this year to \$209.93, an increase of \$2.09 per ton; with the result that the difference in support between Southwest Spanish and Runners would be reduced from \$9.53 per ton to \$4.02. By method 2-c, with other kernels at 10 cents per pound, the difference would be \$4.34;

3. Also you see that the support this year on Southeast Spanish is \$224.12 per ton and Southwest Spanish \$217.37, making Southwest support \$6.75 less than Southeast Spanish. But, you need to observe that this bill changes that very little. Under method 1-b Southeast Spanish would be \$220.65 and Southwest \$213.95—a differential of \$6.70 or only 5 cents less than now, while under method 2-c the difference would be \$6.25, only 50 cents less than now.

Mr. Chairman, I've already shown you that these supports on Southwest Spanish don't mean anything to the southwestern shellers—that they have been paying above support all the recent years, even when CCC had to take over a 36,000-ton surplus. So who really would take a whipping under this bill, in order to increase the support price on Runners somewhere between \$2.09 and \$3.42 per ton? Nobody but the peanut growers of Texas and Oklahoma. They are the ones whose support price would be reduced under this bill. They put 39,628 tons of their peanuts under loan last year. Under the loan program this year they can get a loan of \$217.37 per ton. If this bill was in effect this year their loan would be only \$213.95 under method 1-b or \$215.63 under method 2-c. It might be interesting if a referendum was held out where the longhorns grow.

Now, Mr. Chairman, this statement is too long already and I shall bring it to a close with a brief discussion of the question of why you and several others were requested to introduce and hold early hearings on these bills by the Southwest shellers. I have no criticism of your action; you are trying to be helpful to those you are obligated to serve, and, under the same conditions I would probably have done the same thing.

The Southwest shellers have become concerned about the use of Runner peanuts in the manufacture of peanut butter. They seem to think that the way to sell more Southwest Spanish to the peanut butter manufacturers is to get the support price on Runners increased and the support on Southwest Spanish decreased, and, at the same time, keep the \$6 to \$7 advantage they now have over Southeast Spanish. In other words they hope, to some extent at least, to price Runners out of the peanut butter market.

If that is accomplished there will be two results. First, the Southwest shellers will be sitting pretty if they should buy at the support level. Secondly, it will drive the major portion of the annual Runner crop under loan and into the hands of CCC for diversion, as I will show you that peanut butter is the only market of substance for Runners.

But, before attempting that, Mr. Chairman, let me call your special attention to the situation in the southeastern peanut producing area.

1. As stated previously, approximately one-half of all the peanuts produced in the United States are grown in Alabama, Florida, and Georgia. I would like for you to see this table A, entitled "Production for the 6 years 1955-60". You will observe that of the 815,200 tons average production 268,500 tons of Runners and 123,400 tons of Spanish were produced in these three States in the Southeast. We also produced a small tonnage of Virginias. There is also the 6-year average production of 266,500 tons of Virginias and 123,400 tons of Spanish.

The production in Alabama is almost entirely Runners, with some Spanish. Florida and Georgia produce both Spanish and Runners in substantial quantities. We have thousands of growers who plant Runners and Spanish on the same farm, in adjoining fields. They frequently shift from year to year. The shellers buy both types, shell them and sell them. Who do you think should have the more intimate knowledge of the markets and the competition between Spanish and Runners—the shellers of the Southeast who buy and sell both or the shellers of the Southwest who buy and sell only Spanish? All I think I need to add is that the Southeast shellers are represented here today in opposition to this bill.

2. Next, what would likely be the result if this bill should be enacted, increasing the support price of Runner peanuts. Mr. Chairman, I shall ask one of our witnesses to discuss that question briefly.

3. What are the markets today for Runner peanuts? The figures as late as last October 20 are available and are shown on this table 1. These figures are not tons, but are percentages of the four uses for which Runners are sold.

Look at Runners. You see that in 1950 84.9 percent of all Runners bought for edible use were used for peanut butter, 7.9 percent for candy, 4.9 percent for salted peanuts, and 2.3 percent for other products. You see that in 1954 87 percent of all Runners were used in peanut butter while salted had dropped to 1½ percent; that in 1957 peanut butter was 89.4 percent of all Runners sold, while salted had dropped to one-half of 1 percent. And in 1959 87½ percent of all Runners sold went into peanut butter and only 12½ percent for all other purposes.

Now a quick glance at Spanish. In 1952 only 40½ percent of Spanish sold were used for peanut butter, while in 1959 it was 50.9 percent. Certainly that doesn't indicate that Runners have taken the market from Spanish. And look at the market Spanish has maintained for candy, salted peanuts, and others—49½ percent—while in constant competition with Virginia's. It seems to me, Mr. Chairman, that Spanish have more than held their own.

I have here two other tables you will be interested in. Exhibit I is the same as the table 1 you have, which I have just referred to, except it is in tons rather than in percentages. It shows that back in 1952, 9 years ago, 83,500 tons of Runners were used in peanut butter, 89,800 tons in 1956, 94,000 tons in 1958, and 90,000 tons in 1959.

So that you may have all of the facts and figures I also give you a supplemental table of July 27, designated as table 2, comparing 11 months of the 1959-60 season with 11 months of the 1960-61 season. As this shows, in tons, there was a substantial increase in the tonnage of Runners used in peanut butter—105,100 tons of shelled peanuts—and I suppose that is the reason we are here today.

But there are other facts to be considered. First, not one ton of this peanut butter market was taken away from Spanish—in fact the use of Spanish increased. This table 2 shows that during the same 11-month period in 1960-61 the use of Spanish in peanut butter was 68,400 tons—convert this to a 12-month period and it would be 74,616 tons—an increase of 2,900 tons over the previous or 1959-60 period.

Secondly, turn to the table A, showing production by types 1955-60, and check the Runner production in 1960. It was 308,400 tons of farmers stock peanuts, which, as far back as my files go, is the largest tonnage of Runner peanuts in history—60,000 tons more than in 1959 and 40,000 tons more than the 1955-60 6-year average production of Runners.

If you convert this biggest use of Runners for peanut butter, 105,100 tons of shelled peanuts, into farmers stock, by multiplying by 155, it will be 162,905 tons farmers stock basis. This would be 52.6 percent of the 308,400 tons of Runners produced in 1960.

I am not in position to advise you how much, if any, of this increase in the use of Runners in peanut butter in 1960-61 was brought about by the record production and probably forced a reduction in the market price of shelled Runners.

But it is very important, Mr. Chairman, that you look again at this table 2 and check what other markets shelled Runners had during this 1960-61 season. It shows 8,500 tons in candy, 1,000 tons for salted peanuts, and 3,100 tons for other products, for a grand and glorious total of 12,600 tons of shelled Runners or 21,000 tons of farmers stock. Add this to the 162,905 tons used for peanut butter and you have a total edible use for all purposes for Runner peanuts of 183,985 tons from the production of 308,400 tons, both farmers stock basis—not quite 60 percent of the crop.

These facts and figures do not show that Runner peanuts are taking over the peanut butter market. They do not show that Runners has reduced by a single ton the Spanish market for peanut butter.

From our own experience in the Southeast I don't believe the present support price on Runner peanuts has had anything to do with the present consumption of Runners in the manufacture of peanut butter. It is my personal and firm belief that it is due—

1. To the extra oil content in Runners, and
2. To the magnificent job the peanut growers of Alabama and Georgia have done in promoting the fine, tasty, health-giving qualities of peanut butter and the Runner peanut. The growers of both States have voted to assess themselves \$1 per ton on every ton of peanuts they produce for research and promotion, of both the Runner and Southeast Spanish. This will total about \$400,000 or more each year for these purposes and we believe it is going to result in an increase in the use of all peanuts, of all types, will expand the markets and bring about a stronger and more prosperous peanut industry. This is no time to come here and spend our time, our effort, and our money fighting each other within the industry. We need every shoulder to the wheel, day and night, working in a common cause and marching forward together.

We ask you to disapprove this bill.

Thank you, Mr. Chairman.

Mr. PACE. Mr. Chairman, I would like to present first a very distinguished Georgian, former president of Baldwin-Wallace College and now executive secretary of the Georgia Agricultural Commodity Authority, Mr. Donaldson.

Would you say a word, Mr. Donaldson?

**STATEMENT OF GEORGE P. DONALDSON, EXECUTIVE SECRETARY,
GEORGIA AGRICULTURAL COMMODITY AUTHORITY, TIFTON,
GA.**

Mr. DONALDSON. Mr. Chairman, members of the committee, I am more confused than I was when I came in. My purpose in speaking to you is to tell you what has happened in Georgia in the peanut industry in the last 2 months. To go back just a little bit in 1958 we tried to get through an act by which we would authorize our people and we could have a referendum. We did have one. It was finally decided it was unconstitutional. We have just concluded another referendum, voted overwhelmingly by our people by which we had hoped to put on a program of promotion, research, and education for the peanut growers of our State. We do happen to grow all three types of peanuts in our State, though we do not grow many of the Virginias type.

We would like very much, and I have a sincere feeling from having gone over the district, that our people would certainly like to go on in the situation that we are going now, that it would be fair to all persons concerned. If we cannot do that, we would certainly like to see the proposition which has been made here today, that they try to work it out and with the Department rather than to have to have us come up here for legislation for this commodity or any other commodity.

Mr. PACE. Thank you, sir.

Mr. THOMPSON. Thank you very much.

Mr. PACE. Mr. Chairman, Mr. W. J. McKemie is vice president of the Georgia Farm Bureau Federation and chairman of the Commodity Commission. I would like for him to spend 1 minute to tell you what he thinks would happen if this bill should become law.

Mr. THOMPSON. Mr. McKemie, we would be glad to hear from you, sir.

STATEMENT OF W. J. McKEMIE, CHAIRMAN, GEORGIA AGRICULTURAL COMMODITY AUTHORITY, COLEMAN, GA.

Mr. McKEMIE. Thank you, sir.

Mr. Chairman and gentlemen, it seems that we are spending a lot of time on peanuts up here this year. My views on this particular situation as a farmer, I am a farmer, live on the farm and I grow several different crops. I grow peanuts. I grow all three types. I grow Virginias, Spanish, and I grow Runners. I like them all because we can plan our work in our year's planning because of the different seasons, et cetera, because we grow cotton. Naturally I am quite concerned about this bill. I feel fearful about it. I think it is rather apparent what would happen if the price of Spanish was lowered a little and the price of Runners was increased. The Runner peanut is already in surplus. I think I know farmers pretty well. I have worked with them all my life. I think they would naturally turn to growing more Runner peanuts, which would create a larger surplus for their crop. I hate very badly to see anything happen at this time that would disturb our farmers because I believe they are very happy and very pleased with the increase in the price we have had this year across the board. I would hate to see any changes by law at this time. Thank you, sir.

Mr. PACE. Thank you, sir.

Mr. Chairman, a few words from Mr. D. H. Harden, manager, GFA Peanut Association, a former cooperative operating in Georgia and Alabama.

Mr. THOMPSON. Mr. Harden, we will be glad to hear from you.

STATEMENT OF D. H. HARDEN, MANAGER, G.F.A. PEANUT ASSOCIATION, CAMILLA, GA.

Mr. HARDEN. Mr. Chairman, I am D. H. Harden, manager of the GFA Peanut Association in Camilla, Ga.

Our responsibility is to assist the Department in disposing of surplus peanuts grown in our area.

We have been concerned about the amount of surplus peanuts we have down there and we are hoping to get in a position where there will never be a shortage of peanuts in any of the areas. As you know, they grow Spanish in the Southwest, they grow Virginias in the Virginia area and we grow some of all three of them. We are in the process right now of working with the various Government agencies, the farm agencies and people working with farmers to try to increase the production of Virginia peanuts.

We have grown or we did grow in the neighborhood of 14,000 tons last year. We hope this program, in 3 years, will increase the production of Virginia peanuts to about 40,000 acres.

If we can get the production of Virginia peanuts up to around 40,000 acres I believe that for the present type of program the differentials as they are, we would never be in danger of not having to supply any of the three types of peanuts.

Mr. PACE. Thank you very much, Mr. Harden.

Mr. Chairman, we have here Mr. Keaton Cox, a substantial peanut grower of Georgia. I would like for you to hear from him for a minute.

STATEMENT OF KEATON COX, PEANUT PRODUCER, CAMILLA, GA.

Mr. Cox. Mr. Chairman and members of the House Committee on Agriculture, I am C. K. Cox, a peanut grower of Mitchell County, Ga. As I have listened to the various arguments, pro and con, as to why all sound mature kernels should or should not be the same price, I realize that I could very easily become confused, could I not see beyond these statements and deductions and face the bare facts as to the end results. I am primarily a Spanish peanut grower and I assure you gentlemen that at present, as well as in the past, I have had a ready market for these Spanish peanuts. From year to year, I, as well as my neighbors, have varied my acreage between Spanish (none to CCC) and Runner, but as the price differentials between the various types of peanuts become closer, I find myself disregarding the demand and growing the type that I feel like will yield the highest net income for me and my tenants. For the past 10 years I planted about 75 percent Spanish and 25 percent Runners. In 1960, however, I changed this percentage to 60 percent Spanish, 20 percent Runners, and 20 percent Virginias. In 1961 I planted 70 percent Spanish and 30 percent Virginia types. Fortunately, I can grow any type peanut and my usual yield is about 1,700 pounds of Spanish and 2,000 pounds of Runners per acre. Last year my yield of the jumbo or Virginia type peanuts was 2,700 pounds with a gross income of \$300 per acre.

If this bill passes you can readily see that with a gross income at average grades, I will suffer a potential loss of around \$23 between Spanish and Runners and an even higher loss in comparison to the Virginia type with the 2,700 pounds per acre yield that I had last year, and prospects of 2,500 pounds or better this year. If weather conditions improve so that I can harvest the 20 percent Spanish that I lack and the 30 percent Virginias that are now ready for picking, my highest potential income under the present differentials are favorable to Runners and the Virginias. If these are put out of balance further by increasing Runners and cutting Spanish, I shall surely become a Runner peanut grower as my Alabama and Florida neighbors have already done. I am a firm believer in growing the types of peanuts that the market demands, such as the Spanish, Virginia, but gentlemen, in all sincerity, economics can change my plantings, regardless of my feelings.

I am also a tobacco grower with at least 500 acres of suitable tobacco land under irrigation. Under the present support program of 90 percent, there is a price differential of 6 cents per pound or \$125 to \$150 per acre less than the North Carolina and Virginia growers would receive. I can see where there will be amendments to make the price of all tobacco the same, whether grown in North Carolina, Virginia, Georgia or Florida, tied or untied. So you can readily see that instead of solving our many regional problems, we could create more and more and eventually wreck the entire farm program by Congress usurping the rights of the farmer and the Department of Agriculture. It seems only natural to me to concede to the fact that the actual growers together with the Department of Agriculture are in a much better position to understand existing conditions and therefore be in a better position to set a fair price differential between the various varieties from a regional standpoint. Gentlemen, I truly beg of you, as a grower of peanuts, tobacco and cotton, not to get

mixed up in something that will only create further strife and discord between the various peanut producing areas. Please leave this in the hands of those who because of their closeness to the situation and their full store of information and their wide area of experience, can come to a better solution concerning our price differentials between the various types in each respective area. I believe if this bill passes we surely have a decided increase to Commodity Credit Corporation through the diversion program. This will undoubtedly throw the production of all types out of balance. I want to state again that I am opposed to Congress fixing our price differentials. I hope I have made myself clear on the question at hand, and I do want to thank you for your courtesy in granting me these few minutes of your valuable time.

Mr. PACE. Mr. Chairman, I ask that I be permitted to file the letter that Congressman Forrester would have read this morning and asked me to read.

Mr. THOMPSON. I think that permission has already been granted, but if not, I ask unanimous consent of the committee that all witnesses may file such statements as they desire within the next 5 days. (The letter referred to above follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., August 30, 1961.

HON. E. L. FORRESTER,
House of Representatives.

DEAR MR. FORRESTER: This responds to your request for information on the following three points, as stated by your office in a telephone conversation on August 29, 1961: "Is there presently any law fixing the exact method for determining the support on the following commodities by type, with one support on the top grade and another support for other grades? How are the supports on this list determined and by whom? Are the respective supports on all commodities determined by the administrative authorities on the basis of section 403 of the Agricultural Act of 1949? The list of commodities referred to comprised cotton, wheat, tobacco, corn, oats, rice, tung nuts, wool, rosin and turpentine, cottonseed, flaxseed, and soybeans.

Agricultural legislation now in effect does not specify an exact or specific method for determining price support differentials reflecting adjustment for type, grade, and other factors for any commodity. General guidance in this matter is provided by section 403 of the Agricultural Act of 1949, as amended, which states in part as follows: "Appropriate adjustments may be made in the support price for any commodity for differences in grade, type, staple, quality, location, and other factors. Such adjustments shall, so far as practicable, be made in such manner that the average support price for such commodity will, on the basis of the anticipated incidence of such factors, be equal to the level of support determined as provided in this Act. * * *"

As to question 2, general responsibility for development and approval of price support programs rests with the Board of Directors of the Commodity Credit Corporation and the Secretary. However this responsibility usually is delegated to the Executive Vice President of CCC, insofar as it relates to the determination and approval of price support differentials for grade and other factors reflecting the national average level of support for any commodity. However, for the 1961 crop of flue-cured tobacco and peanuts, the determination and approval of price support differentials was made by the Commodity Credit Corporation Board because of the particularly important problems involved.

The specific methods followed in the determination of support price differentials vary somewhat among commodities in recognition of differences in commodities, marketing practices, and program experience. The general aim is to provide equitable and effective price support to eligible producers on an equitable basis for all eligible grades, qualities, and classes, in the various producing areas, under normal crop conditions. For some commodities therefore, terminal as well as county or area, rates are established. For most commodities there also are adjustments for grade, class, type, quality, or other factors as are particularly appro-

priate to the specific commodity, utilizing a system of premiums and discounts. Taken together, the schedule of support prices is designed to balance out to the national support price. There is enclosed a more detailed statement on the methods followed for those commodities referred to in your conversation.

In answer to your third question, the determination of price support differentials usually is made by administrative authorities on the basis of general direction of the Board of Directors of CCC and the Secretary, and in consideration of the general standards and requirements of section 403 of the Agricultural Act of 1949, as amended.

Sincerely yours,

ROBERT G. LEWIS,
Acting Administrator.

Mr. PACE. Mr. Chairman, you have been very gracious.

Mr. THOMPSON. Members of Congress may also have that same privilege.

Mr. PACE. You have been very gracious. We thank you very much.

Mr. THOMPSON. Thank you, Mr. Pace. I am awfully sorry we have subjected all of you to this inconvenience.

Mr. PACE. It happened to be one of those days.

Mr. POAGE. Mr. Chairman, will it be the purpose of the chairman to possibly Friday or next week to recall Mr. Thigpen and let the committee complete questioning of him?

Mr. THOMPSON. Yes; certainly; anytime it is convenient.

Mr. POAGE. We will work it out as to the time.

Mr. THOMPSON. Thank you very much, gentlemen. Again, my apologies for your inconvenience.

(The following letter and statements were also received by the subcommittee:)

STATEMENT OF HON. O. C. FISHER, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF TEXAS

Mr. Chairman, as author of one of the pending bills to remove the inequity now applied to price supports for peanuts, and as one who represents a district that is vitally interested in this matter, I wish to urge the committee to properly report a bill. I see no point in taking time to go into detail. The justification for the legislation has been thoroughly developed during the hearings. I have attended many meetings this year at which the complaint against discrimination has been discussed and pinpointed. We have made out a strong case. I therefore join in urging the committee to favorably report the pending legislation.

STATEMENT OF HON. ROBERT L. F. SIKES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF FLORIDA

Mr. Chairman, I hope the committee will not approve this bill to fix by law the exact method for determining the differentials or producer supports by types on the 1962 peanut crop, and on all future crops. This has never been done for any price supported commodities and there is no good reason for doing it with peanuts.

I personally attended one of the hearings held by the members of the Board of the Commodity Credit Corporation and I have never seen a group of men give more earnest consideration to any question. I know they did what they thought was right and proper after getting all the facts and hearing all the arguments.

I have made some investigation on my own part, trying as best I can to serve and protect the peanut producers of Florida. Here is what I have found:

1. Several weeks ago the Director of the Oils and Peanut Division held his regular annual meeting of the representatives of the peanut producers and shellers of the three principal peanut producing areas. At this meeting the peanut-shellers from the Southwest proposed an entirely new and unheard of method of determining the respective supports for only two types of peanuts, that is, South-

west Spanish and Runner peanuts, making no reference to Southeast Spanish or the Virginia type peanuts, and declaring that their purpose was to increase the support on Runners, decrease the support on Southwest Spanish, and thereby eliminate the differentials between Runners and Southwest Spanish.

Mr. Chairman, neither you nor any other member of this committee would have approved that proposal, due to its injustice to Southeast Spanish peanuts, to Runners, and to Virginias. The Commodity Board turned it down, as they certainly should have done.

The Southwest shellers are disappointed and now have come to you, asking you to pass a law. What would happen to this Congress and to this land of ours if we should try to appease by law every disappointed group that comes to Washington? Instead of doing what the Southwest shellers wanted the CCC Board to do, the Board did what I regard as a good thing. They took the 1960 support price by types and added to every type and to every ton of the 1961 peanut crop the sum of \$19.76, which represents the increase in the support to 85 percent of the parity price. They also eliminated the \$9 per ton which had for years been deducted from the producers' support price to cover storage charges, inspection fees, and other costs. This means that every peanut grower in your State, Mr. Chairman, in my State, and in every State where peanuts are produced, each and every one of them, is receiving this year \$19.76 plus \$9, totaling \$28.76, more than they received for their 1960 crop peanuts.

That means, Mr. Chairman, that the Board of Directors of the Commodity Credit Corporation, by raising the support on peanuts to 85 percent of the parity price, by eliminating the \$9 per ton deduction, has given the peanut producers of the United States an additional \$25 million to help them meet the ever increasing cost of production and of living.

I don't believe you will find a peanut farmer in the United States who is mad at the CCC Board of Directors, or who would approve of your slapping the members of the CCC Board in the face by approving H.R. 8589.

Let me say, finally, Mr. Chairman, that this bill will have only two effects.

First, it puts peanut legislation before the Congress at a time and in a way which could easily endanger or destroy the present peanut marketing quota and price support program—endangering the welfare of every peanut producer in the United States.

Secondly, this bill would mean, if enacted, that every peanut producer in the States of Texas and Oklahoma would receive less dollars for their peanuts than they do now.

You should think a long time before you report this bill. The peanut growers have not approved it. The growers of my State are strongly opposed to it. I suggest you give all growers a chance to vote before you approve a bill merely to satisfy the peanut shellers who operate in Texas and Oklahoma.

Thank you, Mr. Chairman.

SUPPLEMENTAL STATEMENT OF SYDNEY C. REAGAN, GENERAL COUNSEL, SOUTHWESTERN PEANUT SHELLERS ASSOCIATION

I appreciate this opportunity to reply to the statement by the Honorable Stephen Pace in behalf of the peanut growers and shellers of Alabama, Florida, and Georgia.

First let me make it crystal clear that the peanut growers and peanut shellers in Texas and Oklahoma strongly support H.R. 8589 and the other bills before this committee providing for uniform support for all types of peanuts on sound mature kernels and other kernels. This legislation provides for the same support on a pound of sound mature Runner peanuts as on a pound of any other type; it also provides for the same support on a pound of other kernels of Runners as on a pound of other kernels of the other types.

The effect of this legislation will be to permit all types of peanuts to compete fairly in the marketplace and will remove the present advantage given to Runner peanuts under the peanut price support program. At the present time a pound of sound mature Runner kernels is supported at 0.4 cent below a similar pound of Southwest Spanish and Southeast Spanish and 0.55 cent below a similar pound of the Virginia type. This makes it possible for shellers of Runner peanuts to buy their raw materials cheaper than shellers of other types and to thus have an advantage in marketing the shelled peanuts. Because of the present price support differentials Runner peanuts are taking over markets of Southwest Spanish peanuts. (The evidence of this is developed in detail in my statement to the committee of last Wednesday.)

Mr. Pace in his statement said that the effect of this legislation would be to increase the support on Runner peanuts in 1961 between \$2.09 and \$3.42 a ton of farmers stock peanuts. If the same quantity of Runner peanuts are produced and marketed in 1961 as in 1960 and if all Runner peanuts sell at support based on Mr. Pace's per-ton estimates, this legislation would increase the income of the producers of Runner peanuts in Georgia, Florida, and Alabama in 1961 between \$600,000 and \$1 million. Their income also would continue to be higher in future years as a result of this legislation.

Mr. Pace introduced into evidence table 3 purporting to show that peanuts always sell substantially above support in the Southwest and to use this table to discredit the proposed legislation. I wish to categorically deny the reliability of this table. The first column, labeled "Announced support price," are figures estimated by the Department of Agriculture before peanuts are harvested, graded, and sold. These figures are based purely on assumed conditions, and are not based on the actual quality of the peanuts marketed. Consequently, any conclusions in column 3 based on column 1 are conclusions based on assumed rather than actual conditions.

I submit the attached table entitled "Prices paid for farmers stock peanuts, 1960 crop" to show the actual conditions with respect to the relationships between prices actually paid for peanuts and the loan value in the Southeast area and the Southwest area. This table is based on the official weekly report of the U.S. Department of Agriculture entitled "Peanut Market News," gathered, compiled, and issued by the Agricultural Marketing Service of the Department. You will note that during the major portion of the marketing period and certainly for an overwhelming majority of the peanuts marketed in the Southwest the market price was at the loan value. Quotations during the first couple of weeks of the marketing season represent only a very small quantity of peanuts. By no stretching of the statistics reported in this official report of the Department of Agriculture could Southwest Spanish peanuts on the average have sold at \$6.39 above support, as shown in table 3 of Mr. Pace's statement. It should be noted that loan advance in which this table is stated is \$9 a ton below the support price, which is what is in Mr. Pace's table. According to Mr. Pace's table Southwest Spanish peanuts sold at \$15.39 above the loan advance (\$9 plus \$6.39). This simply is not correct as revealed by the official published reports of the Department of Agriculture.

Prices paid for farmers stock peanuts, 1960 crop

Southeast		Southwest Spanish
Generally at loan.....	Aug. 31	\$3-\$8 above loan (season's 1st quotation).
Generally loan, with exception of \$3 above for a few Spanish.	Sept. 7	Mostly at loan value to \$4 above.
Generally loan. In one section Spanish \$3 above and Virginias \$5 above.	Sept. 14	Mostly at loan value.
Loan value in most sections. An occasional district reported \$3 above.	Sept. 21	Continued to sell at loan value.
Mostly at loan value, but a few in Georgia brought up to \$3 above.	Sept. 28	Mostly at loan value with a few exceptions of prices from \$2 to \$4 above loan.
Loan value to \$3 above in some sections.	Oct. 5	Mostly at loan value.
\$3 above loan in many Georgia areas and about loan value in Alabama.	Oct. 12	Most at loan value with a few from \$2 to \$4 above.
Mostly loan except in a few areas some Spanish sold \$2-\$3 above.	Oct. 18	Most at loan, but a few in central Texas brought \$4-\$7 above.
Mostly loan.....	Oct. 26	Mostly at loan, but a few in central Texas sold a little higher.
Generally loan.....	Nov. 2	Mostly loan, but a few \$2-\$3 above.
Loan.....	Nov. 9	Mostly loan, but a few \$2-\$4 above.
Generally loan.....	Nov. 16	Mostly loan, few in central Texas \$2-\$4 above.
Loan.....	Nov. 23	Mostly loan.
No price reported.....	Nov. 30	Do.
Loan.....	Dec. 7	Mostly going into loan.
Do.....	Dec. 14	Loan.
No price reported.....	Dec. 21	Mostly loan, occasional fine quality slightly higher.
Do.....	Dec. 28	No price reported.
Do.....	Jan. 4	Do.

Source: Agricultural Marketing Service, "Peanut Market News" (weekly), U.S. Department of Agriculture.

I have not had an opportunity or the time to check Mr. Pace's table for any year except the last one, 1960, but I can unequivocally say that official reports of the Department of Agriculture do not substantiate this table. I suspect that an analysis of other years would also show inaccuracies.

Forty thousand tons of Southwest Spanish peanuts, about 22 percent of the total production, were surplus and were diverted for crushing and into export at substantial losses to the Government last year at the time Mr. Pace said that peanuts sold at \$6.39 above support in the Southwest (\$15.39 above loan). This substantial surplus occurred when only 77 percent of the allotted acres in the Southwest area were harvested, due primarily to adverse weather conditions.

"The Peanut Market News" reported on August 30, 1961, for the Southwest area that "farmers stock prices were all reported at loan value." The report on September 6 stated that "farmers stock peanuts moved mostly at loan value but a few brought \$1-\$2 more."

During the recent hearings conducted by the Department of Agriculture on the matter of 1961 differentials, Mr. Pace argued as follows: "(1) That it was too late to change the support by types when our Spanish were ready to harvest, (2) that these bitter between-area fights should be stopped, (3) that differentials should be fixed in the fall or first of each year, and (4) they should be announced at the same time as the preplanting minimum support is announced in March."

The Department of Agriculture concurred with Mr. Pace's contention. In other words, for the 1961 differentials the Department of Agriculture did not decide the matter on the merits of the case but on the procedural issue that it was too late to change the support by types.

With respect to the legislation now being considered by this committee, the Department has indicated that it does not object to the legislation.

Mr. Pace emphasized that in the Southwest smaller kernels, other than sound mature kernels, are sold by shellers. It is also true—although not pointed out by Mr. Pace—that smaller kernels in the Southeast also are sold by shellers.

Mr. Pace strongly defends the use of the 20-year average of market price on farmers stock peanuts as a basis of setting current differentials. The Southwest completely repudiates the use of the 20-year historical average prices for at least two major reasons, either of which is sufficient to invalidate its use.

1. Runner peanuts today are a far superior peanut and have far greater market acceptability than they did a few years ago. The evidence of this is admitted by the southeast area and is developed in detail in my statement presented to the committee last Wednesday. Prices paid to Runner peanuts in the past are not pertinent today to a commodity of different quality and market acceptability.

2. The prices in each year during the past 20 years have been largely determined by the differentials established among the various types of peanuts by the Department of Agriculture. In other words, to establish differentials for 1 year in terms of determinations by the Department over the past 20 years completely ignores the current economic situation. It is the same as defining something in terms of itself. To say that "a rose is a rose is a rose" doesn't have much definitive meaning. Neither does a 20-year historical average price have any definitive meaning since it is defining differentials today in terms of differentials established by the Department over the past 20 years.

There is a direct inconsistency between two basic statements in Mr. Pace's statement. Mr. Pace states "while he (Dr. Reagan) didn't say as much, his purpose (the purpose of the proposed legislation) was to price the Runner peanuts entirely out of the market." (As pointed out earlier in this supplemental statement, the increase in the support price on Runner peanuts under the proposed legislation for 1961 would be about 1 percent according to Mr. Pace.) Yet at the end of his statement Mr. Pace had the following to say:

"From our own experience in the Southeast I don't believe the present support price on Runner peanuts has had anything to do with the present consumption of Runners in the manufacture of peanut butter. It is my personal and firm belief that it is due—

1. To the extra oil content in Runners, and
2. To the magnificent job the peanut growers of Alabama and Georgia have done in promoting the fine, tasty, health-giving qualities of peanut butter and the Runner peanut. The growers of both States have voted to assess themselves \$1 per ton on every ton of peanuts they produce for research and promotion, of both the Runner and Southeast Spanish."

In other words, in one place Mr. Pace says that a 1-percent increase in the support on Runner peanuts will take away from them their markets and in another

place he says that the present support price has nothing to do with the present consumption of Runners.

Let me repeat that the objective of the Southwest area and the objective of this legislation is to provide for fair competition among the various types of peanuts and to prevent the peanut price support program from being used by the Department of Agriculture to aid the Southeast area in taking markets away from the Southwest area.

Thank you.

ALABAMA PEANUT PRODUCERS ASSOCIATION,
Dothan, Ala., September 8, 1961.

SUBCOMMITTEE ON OILSEEDS AND RICE,
HOUSE COMMITTEE ON AGRICULTURE,
House of Representatives,
U.S. Congress.

HONORABLE CHAIRMAN AND MEMBERS: Messrs. W. H. Brown, route 1, Andalusia, Ala., Grady Dunn, Samson, Ala., and myself, John H. Dorrill, Jr., P.O. Box 6218, Montgomery, Ala., attended the public hearing, Wednesday, September 6, on H.R. 8589. Mr. Brown is a member of the board of directors of the Alabama Farm Bureau Federation and the Alabama Peanut Producers Association and Mr. Dunn is a member of the board of directors of the Alabama Peanut Producers Association and the GFA Peanut Association. Mr. Brown and Mr. Dunn are also members of the executive committee of the Alabama Peanut Producers Association. I am secretary of the Alabama Peanut Producers Association and a member of the staff of the Alabama Farm Bureau Federation.

All three of us were attending the meeting in opposition to H.R. 8589. Mr. Brown and I were representing the Alabama Farm Bureau Federation and the Alabama Peanut Producers Association. Mr. Dunn was representing the GFA Peanut Association and the Alabama Peanut Producers Association.

We believe strongly that passage of H.R. 8589 would not be in the best interest of the peanut industry. We do not believe that it is advisable to fix by law the exact method for determining peanut price support differentials. In the past and at present, price support differentials for peanuts are set by the U.S. Department of Agriculture.

We would call your attention to the fact that during the last 9 years from 1952 through 1960 there has been an average surplus of Runner peanuts in the amount of 25 percent. During this same period there has been a surplus of Southwestern Spanish peanuts of only 11 percent while 7 percent of the Virginia type and 12 percent of Southeastern Spanish were surplus. The growers of Alabama would not like to see the surplus of their peanuts increase. We believe that the passage of H.R. 8589 would drastically increase the surplus production of Runner peanuts.

We would also point out that the Southwestern Spanish peanuts have sold at a price higher than the support price during all the last 5 years while Runner peanuts have sold below the support price during the past 5 years.

The peanut producers of Alabama have assessed themselves \$1 per ton for promotion and research of their peanuts since 1957. The producers have spent most of this money in promoting the use of peanut butter as most of our Runner production is used in peanut butter production. We hope that we have helped to some extent in expanding the use of peanuts and peanut butter. We do not think it is fair for Congress or the U.S. Department of Agriculture to change the peanut situation, whereby movement of our Runner peanuts into the edible trade would be more difficult.

We urge your committee to oppose passage of H.R. 8589. Price support differentials for peanuts should be worked out by the U.S. Department of Agriculture and grower and sheller representatives of the peanut industry.

Sincerely yours,

JOHN H. DORRILL, Jr., Secretary.

(Whereupon, at 3:45 p.m., the subcommittee adjourned subject to the call of the chair.)





